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POLITICAL ECONOMY

REPORT

of the

COMMITTEE

on

Provincial-Municipal Relations

Saskatchewan
1950



Province of Saskatchewan

REGINA.

PRINTED BY THOM. H. MCCORMICK, KING'S PRINTER FOR SASKATCHEWAN
1951.





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FOREWORD

The appointment of a committee to study the relations between the Province and its municipalities reflects a recognition of the important role played by municipal governments in the lives of our people. The responsibilities resting on local governments are great and upon their fiscal ability to discharge them depends the effectiveness of local self government as a fundamental instrument of democracy.

The Report on Provincial-Municipal Relations presented herein is the result of a two and a half year study by a three-man committee, appointed by the Saskatchewan Government early in 1948. The Government has felt it desirable to make the Report available in printed form for wide distribution and study.

The authors of the Report are well known in the life of the province. G. E. Britnell, Ph. D., F.R.S.C., is the head of the Department of Economics and Political Science at the University of Saskatchewan. Dr. Britnell is recognized as an authority on inter-governmental fiscal relations. F. C. Cronkite, LL.D., K.C., is Dean of the College of Law, University of Saskatchewan. He has had considerable experience in municipal work and served two terms as President of the Saskatchewan Urban Municipalities Association. Dr. Britnell and Dean Cronkite were associated in the preparation of the case of the Province to the Royal Commission on Dominion-provincial Relations in 1937. Mr. Louis Jacobs, F.C.A., has a long background of experience in municipal finance. He now holds the post of Director of Municipal Auditing and Accounting, and is a member of the Saskatchewan Assessment Commission.

In my opinion the training and experience of the members of the Committee will commend their Report to the public, and especially to those interested in the development of sound fiscal relations between the Province and its municipalities.

In printing the Report of the Committee and thus making it available to the public, it is the hope of the Government of Saskatchewan that it will be widely studied, and that the many problems which face municipalities and the Government may the more easily be solved by the combined efforts of all.

L. F. MCINTOSH,

Minister of Municipal Affairs.

TO THE HONOURABLE L. F. MCINTOSH,
Minister of Municipal Affairs.

SIR:

Your Committee, appointed early in 1948 to consider fiscal relations between the Province of Saskatchewan and the various municipal bodies in the Province, begs to report herewith.

No chairman was appointed to the Committee but the members assume equal responsibility for the matter contained in the Report.

G. E. BRITNELL.

F. C. CROOKITE

LOUIS JACOBS.

REGINA, SASK.,
October 16, 1950.

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PREFACE

This Committee was appointed early in the year 1948 to conduct an "investigation of relations between the province and the various types of municipalities in the province." The investigation has extended over a period of more than two years with the members of the Committee exercising supervision over the research work involved.

It seemed plain to the Committee that the chief reason for making the investigation was to throw light on the common assumptions that real property is being over-taxed and that the municipalities are over-burdened with obligations in relation to their fiscal strength. It was, therefore, considered essential to make a complete examination of the financial history of the province from the time of its formation, and the same procedure was required in connection with the municipalities. This has involved a great deal of work.

The nature of the topics dealt with in the Report calls for comment. It was found necessary to examine the revenues and expenditures of all departments of government as well as their relations with the municipalities. It has been found unnecessary, however, to deal specifically with most departments. In the case of such departments as Municipal Affairs and the Attorney General expenditures are relatively small and there is no evidence of any complaint on the part of municipal bodies. The Department of Agriculture is a larger department with relatively large expenditures but there is no evidence of demands by the municipalities which would come within the scope of this investigation. It might be said in passing that your Committee received the impression that this department is well organized and doing good work with the funds at its disposal. To the extent that the department, in co-operation with other agencies, succeeds in the objective of making all rural areas self-supporting, relief from the more pressing problems of municipal finance may be anticipated.

The Report in the result, devotes three Parts to a consideration of particular phases of provincial activities: education, health and other social services, and highways. With reference to these three categories it may be said that not only are comparatively large expenditures involved, but the municipalities are vitally interested in the expenditures and have made frequent demands in relation thereto. The other Parts of the Report need no explanation. They deal with the history of our institutions, explain the basic fiscal position of the province and the municipalities and set out

certain basic ideals with reference to which the Report has been formulated.

The allegations that the municipalities are over-burdened and that land is over-taxed have been examined with great care. The result of the investigation has been something of a surprise to the Committee for it has been found that in no sense can it be said that real property in the average municipality is being over-taxed either absolutely or relatively, under present conditions. It is very doubtful if the tax burden on real property has been lighter at any period during the last three decades than at the present time.

The Report, nevertheless, makes certain recommendations which will, if implemented, involve a re-allocation of revenues in favour of the municipalities amounting to rather more than two million dollars a year. In view of what has been said above, it might appear that there is a measure of inconsistency in these recommendations. There is also the undoubted fact that the province has assumed certain burdens, as for instance in the matter of hospitalization, which tends to relieve the municipalities of obligations. In the opinion of the Committee, however, these recommendations are sound, looking to the nature of municipal institutions and to the probable needs of the future.

The Committee wishes to make it clear that the recommendations have been made in the expectation that the municipalities will manifest an increased sense of responsibility. In the opinion of the Committee the average municipality will have no excuse for asking better terms from the province in the absence of some decided change in economic relationships or until the province is in a much better fiscal position resulting from a new Dominion-Provincial agreement. It would also like to suggest that many municipalities, certainly the stronger ones, under present conditions, could easily establish a reserve against the uncertainties of the future. The province, in its turn, should feel that the amount of assistance now being given to the municipalities should not be increased without good cause.

The statistical material in many cases will be found not to correspond either with the Public Accounts of the province or with departmental reports. The Committee simply had to use its own judgment as to the allocation of funds whether to particular years or to particular departments.

It has been noted above that a great deal of research was involved in assembling the basic material on which the Report is based. The Committee was fortunate in securing the services of Mr. Courtney H. Taber and Mr. Willard W. Stewart for two five-month periods during the summer vacations of 1948 and 1949. Both these men are honours graduates in Economics of the University of Saskatchewan, and are presently doing graduate work at the University of Chicago. Mr. Edward A. Walters, B.Com., of the Department of Municipal Affairs, has given his entire time during the past year to a verification of the statistical material as well as providing a good deal of supplementary material.

The Committee is greatly indebted to Dr. V. C. Fowke, Professor of Economics at the University of Saskatchewan, who has been con-

sulted frequently during the whole period of the investigation. Dr. Fowke also played an active part in the formulation and revision of the Report. The Committee is also grateful to Mr. George Oliver, Director of the Division of Freight Information Services, Department of Co-operation and Co-operative Development, for invaluable assistance in the appraisal of statistical data, and to Mr. Stuart Carmichael of the same department, who assisted him.

The secretarial work was under the capable direction first, of Miss Mary Atkinson, and later, of Mrs. L. C. Howlett.

The Report was first released in July of this year in mimeographed form. Since then the text has been revised and the statistical material carefully checked for accuracy. No change has been made in the method of analysis nor in the conclusions reached.

PART I

The Historical Background of Municipal Institutions in Saskatchewan

I. INTRODUCTION

Saskatchewan's history as a part of the Dominion of Canada dates from July 15, 1870, when by royal proclamation its present area was incorporated into the Northwest Territories. In optimistic anticipation of early and rapid settlement concern was shown by federal authorities for the governmental facilities of this new region. A letter of instruction to the Lieutenant-Governor requested an immediate report "on the system of Taxation (if any) . . . the system of licensing shops, . . . the mode of keeping up the Roads, and generally on the Municipal Organisation (if any) existing in the Territories." Apparently there was nothing to report upon. Organized local government was non-existent on the frontier, even such vital functions as education being carried on by voluntary associations and religious institutions. One of the first Acts of the Territorial Council was to regulate these institutions requiring them to keep a register of children in their care showing "the nationality or tribe to which they belong."¹

More effective provisions for the growth of local governmental institutions were, however, soon made. The North West Territories Act of 1875 empowered the Lieutenant-Governor and Council to pass ordinances establishing defined areas as municipal corporations and to legislate regarding education generally. Action was first taken to implement this statute with the passing of the Municipal Ordinance of 1883 and the School Ordinance of the following year.

Considering the primitive stage of development existing in 1883 the first municipal ordinance was surprisingly elaborate and detailed. It seems apparent that its provisions were patterned after and drawn from statutes governing municipalities in older regions of the Dominion. Evidently the governmental structure it provided was much more complex than was required in the newly settled areas for its application was restricted. Only two towns (Regina and Moose Jaw) and four rural municipalities in the Qu'Appelle region were established. Elsewhere settlement was more sparse and the needs of settlers were narrowly confined. All they demanded of local government was some modest provision of educational services, the construction of roads and fire

guards and assistance in securing supplies of water. These needs were met by functional units—school districts, fire districts, statute labour districts. The latter two were the forerunners of the local improvement districts set up in 1898, which were the typical rural organization when the province was founded in 1905.

To understand the magnitude of more recent expansion it will be useful to describe the characteristics of these early forms of local organization, their development in the territorial period down to the present day and to trace their relations with the superior government.

2. SCHOOL ORGANIZATION

(1) In the Territorial Period

Early History. Although education is commonly thought of as merely one of the services provided by municipal government, actually it is provided by a separate organization which operates through municipalities but has an independent legal existence of its own. The reason for the establishment of units of local government separate from municipalities and concerned only with education is due in part to the hope that persons specially interested in education will be attracted to the service of school boards (but would not be to the administration of general municipal affairs) and in part to the nature of governmental development in the early years of Saskatchewan's history. In those early years education was one of the few services demanded of local government, and school districts were often the first form of any local organization. Consequently they are given first place in this description of the development of local government in Saskatchewan.

In March, 1877, the question of providing facilities for education was first encountered, the Council of the Territories having received a petition from two individuals requesting financial assistance for erecting a school and paying a teacher.² Apparently the Council had no power to make grants to schools and certainly no funds with which to do so. It was even doubtful whether it could grant power to a local board to impose taxes for this purpose. At any rate nothing was done for several years thereafter, although in 1880 minor assistance amounting to \$2,000 was provided to

¹ E. H. Oliver, *The Canadian North-West*, (Ottawa, 1915), Vol. II, p. 974.

² *Ibid.*, p. 1088.

³ J. D. Denny, *The Organisation of Public Education in Saskatchewan*, (Toronto, 1920), p. 11.

meet one half the cost of teachers' salaries in a few schools supported by religious institutions or by voluntary contributions.

The School Ordinance of 1884 first provided for the organization of school districts. It established the area for a district at not more than one township and required that the proposed district contain a minimum of ten pupils. Administration was to be in the hands of a board of three trustees who were empowered to engage teachers, acquire property, purchase supplies and provide free books and slates to children of destitute families. Within the first year after the passing of the Ordinance 59 districts had been established. In 1889 the maximum area of a district was reduced to 25 square miles and seven years later the minimum pupil enrolment was raised to 12, these measures reflecting the progress of settlement on the frontier. The general powers of a school board remained practically unchanged up to the time the province was formed.

School Taxation and Finance. The first Ordinance of 1884 provided a tax limit of five mills for operating purposes, with an additional rate for debenture charges, to be levied upon real and personal property and incomes. In most instances the board was the taxing authority, but where the district was wholly or partly within a municipality the latter could be requisitioned for a school levy within the limits of the tax rate. The five-mill limit was apparently too low as in the next year, 1885, it was increased to ten mills, in 1892 to 12 mills, and in 1901 to 15 mills in town districts. After 1892 districts had the option of raising funds from land taxation only, the rate to be limited to 20 mills. Another alternative granted in 1896 to rural schools entirely outside a municipality was to impose a flat tax of ten cents per acre on petition of three quarters of the ratepayers. This was undoubtedly simpler than taxation on the basis of valuation and was suited to pioneer conditions. Another expedient for broadening and simplifying the tax base was granted in 1903 when districts were empowered to levy a minimum tax per person of \$2.

The right to issue debentures was contained in the first Ordinance of 1884. Such debentures were to be issued only for the erection of school buildings and not until 1887 were boards allowed to borrow for current operations. Total debt was limited to 10 per cent. of the assessed real and personal property of the district and debentures were not to exceed a ten year maturity period nor carry an interest rate in excess of eight per cent. In the following years

the maximum maturity period was extended and with the introduction of the flat rate per acre tax in many districts after 1896 the debt limit was put on a comparable basis, being fixed at 25 cents per acre.

Government Grants to Schools. The principle of government assistance to the localities for provision of educational services has been firmly established in Saskatchewan from the beginning. The first School Ordinance of 1884 established grants equal to one half the teacher's salary. In the following years government assistance was extended in order to achieve three major aims: (1) to encourage the employment of skilled teachers, (2) to encourage the highest possible attendance of pupils; (3) to improve the quality of buildings and equipment. For example, the grant schedule of 1885 contained the following provisions: teacher grants were payable at the rate of \$350 for the holder of a first class certificate, \$300 for a second class, \$250 for a third. An additional pupil grant of \$2 per pupil per year was earned by schools with an average daily attendance of eight students and in operation for one term; a second term brought an extra 50 cents per pupil. A further grant equal to the pupil grant was made if the inspector reported that minimum standards for upkeep of property and progress of pupils had been achieved. To schools employing assistant teachers an extra \$150 was paid for the first and \$100 for each additional teacher, provided that the average daily attendance per teacher was 20. In 1888 provision was made for an additional grant of \$350 to school districts employing a high school teacher. The conditional and stimulative nature of these early grants has continued as a feature of a large part of government assistance to schools down to the present day. Two of the more significant changes made in the later years of the territorial period were those which introduced the present day principle of a per diem grant for a maximum number of teaching days (at that time 210) and the differentiation in 1901 between rural and urban schools, establishing a somewhat higher rate for the rural districts.

Table I indicates the progress made in establishing schools in the Northwest Territories and the amount paid in grants to schools, in total, as a percentage of all government expenditures and on a per pupil basis.

(2) Schools in the Province

When the Province of Saskatchewan came into existence on September 1, 1906, 896 school districts had been formed and were in operation. In the next 40 years, the provision of

TABLE I

SCHOOLS IN OPERATION, PUPILS ENROLLED, AND GOVERNMENT GRANTS IN THE TERRITORIAL PERIOD, 1886-1904.

	Schools in Operation	Pupils Enrolled	School Grants Paid	Grant Per Pupil	Total Government Estimates	Grant as percentage of total Government Estimates
1886	76	2,553	\$ 8,908	\$ 3 49	No Records	.
1887	111	3,144	36,897	11 73	No Records	.
1888	131	3,453	44,547	12 90	No Records	.
1889	164	4,574	56,984	12 46	No Records	.
1890	195	5,389	85,002	15 77	No Records	.
1891	213	5,652	129,042	22 83	No Records	.
1892	249	6,170	121,056	19 62	No Records	.
1893	262	8,214	106,576	12 97	No Records	.
1894*	300	10,721	113,999	10 63	\$ 274,513	40
1895	341	11,972	112,182	9 37	271,657	41
1896	366	12,796	126,218	9 86	250,380	51
1897	394	14,576	121,457	8 33	324,375	38
1898†	426	16,754	133,642	7 97	535,440	25
1899	454	18,801	142,455	7 57	473,625	30
1900	492	20,343	168,322	8 27	529,063	32
1901	564	23,837	162,215	6 80	649,120	25
1902	640	27,441	155,558	5 67	697,225	22
1903	743	33,191	213,764	6 44	881,843	24
1904	917	41,033	239,380	5 83	1,121,126 ‡	21

* 14 months. † 16 months. ‡ Actual expenditures.

Sources: *Ordnances of the North-West Territories and Report of the Department of Education for the North-West Territories, 1904-05.*

educational facilities kept pace with the settlement and development of the province so that by the end of 1944, when the Larger School Unit emerged, the number of school districts had increased to 5,202. By 1960 some 48 Larger School Units, each containing approximately 84 school districts, had been organized and 1,096 non-unit school districts remained.

Increases in the number of school districts in the province and expansion in educational services brought heavy increases in costs. In 1905 the cost of education in the province totaled \$1,002,876, of which \$157,468, or 16 per cent., represented the contribution made by the provincial government. This had grown to about \$23 million in 1948 with the provincial government contributing approximately one third of the total cost.

Support to schools from the senior government has undergone many changes in the past 46 years. The basic per diem grant has continued although the rate has varied, particularly as it applied to districts in urban centres with more than ten classrooms. Additional grants have been provided for continuation, high school, and vocational classrooms, for the

teaching of household science, to cover part of the cost of conveyance and for certain types of equipment. Grants have also been made for schools conducting night classes, and in rural districts a limited lump sum grant is payable when the first school house or a teacherage is built. The grants associated with the qualifications of the teacher were continued until shortly after 1920 and the principle was revived again in some degree in 1946 by providing a per diem grant where a town district or larger unit employed a supervisor or special instructor. Early in the history of the province the restriction limiting basic per diem grants to not more than 70 per cent. of the teacher's salary was dropped, as were also grants for efficiency in upkeep of buildings and school progress. For some fifteen years after the province was established, a special additional per diem grant was paid on a diminishing scale during the first four years after a district was formed together with a special grant of ten cents per day where the area of a district exceeded twelve and one half sections of land.

A significant change, discussed in other Parts of this Report, was the introduction, ten

years ago, of equalization grants which recognized the variations in local fiscal needs.

3. MUNICIPAL ORGANIZATION

(1) First Municipal Ordinance and Early Organization

The first municipal Ordinance of 1883 contained regulations for the establishment and internal government of rural municipalities, towns and cities, although the latter were to be created by special ordinance or charter in each instance. In 1883 the areas of ten rural municipalities and the two towns of Regina and Moose Jaw were defined by proclamation but only four rural municipalities and the two towns were actually established. The Ordinance was continued in force and amended from time to time, mostly for the benefit of towns. Since from it stem many of the provisions of later municipal legislation, its features will be described in some detail.

Administrative Structure. The first municipal Ordinance provided that where the area of a rural municipality was from four to nine townships five councillors were to be elected, and over nine townships, seven councillors. This was changed in the following year to five councillors for an area of from 200 to 400 square miles with seven councillors for larger municipalities. In 1894 an amendment provided for the election of a reeve and four or six councillors as the area might require.

In towns the first Ordinance required a council of five, a population of 300 and an area of 320 acres. In cities a council consisted of a mayor and up to seven aldermen and a population of 2,000 was required. In the case of towns an amendment in 1887 constituted the council at seven, consisting of a mayor and six councillors. In 1894 the area of towns was increased to 640 acres and the required population to 500, with an added provision that the area could increase by 160 acres for each 1,000 of population over 2,000. In the same year new cities were required to have a population of 5,000 and the council was to consist of a mayor and ten aldermen. In 1903, probably as a result of pressure brought by groups interested in selling building lots, the permissible area of towns having a population of 400 increased to two sections of land. Some communities still have problems arising from this over-expansion.

General Municipal Powers. As suggested previously, considering the primitive development of the country in 1883 the municipal Ordinance of that year was fairly elaborate. It provided for the construction and maintenance of roads, streets, bridges,

drains, sidewalks, sewers and waterworks; the control of nuisances, agricultural abuses and speed limits; fire and police protection, public health, pounds, markets, parks, cemeteries and street lights; relief of the poor, aid to agricultural societies; the acquisition of municipal buildings (with no restrictions on the amount expendable as exists at present in rural municipalities and villages); the power to license draymen, hotels and travelling shows and to appoint a variety of municipal officials. Subsequently, with expanding settlement other powers were added with respect to: acquisition of grist mills, elevators and weigh scales, and, in towns and cities, hospitals, industrial farms and exhibitions; licensing a variety of businesses such as livery stables, toll bridges, places of amusement, transient traders, pool-rooms, waxworks, financial institutions, real estate dealers, butcher shops, pawn shops, cafes; controlling the sale of bread; the establishment of certain industries (tanneries, slaughter-houses); use of firearms, the keeping of dogs; destruction of weeds on private property; the type of construction of buildings in specified areas, and health measures concerning the inspection of food and pollution of streams. The right to impose a curfew, the right to acquire capital stock of a railway and the right to close shops during certain hours indicate the progress made by towns and cities in the first 15 year period of their existence and some of the problems with which they were confronted.

Assessment and Taxation. Under the territorial Ordinances municipalities were permitted to assess both real and personal property as well as incomes—a broader base for taxation than now exists, it may be noted. The income exemption was fairly high, however, considering the generally low money incomes of the time, being \$600 prior to 1903 and \$1,000 thereafter. The real and personal property of railways not exempt from taxation under special legislation was also assessable as late as 1905. Tax rates were limited to 20 mills in rural municipalities and 25 mills in towns. The latter could also impose frontage taxes to assist in meeting the cost of certain public works.

A capitation tax was introduced in towns in 1885 when permission was given to tax all residents a minimum of \$2. The present form of the poll tax dates from 1894. It was then restricted to males over 21 years who were not otherwise taxable. Two years later this poll tax was made applicable to any male residing within two miles of a town who worked therein and, after 1898, to make collection

easier, the tax could be collected through an employer.

Income and business taxes became more elaborate in succeeding amendments to the Ordinance. After 1893 incomes were taxed separately rather than as a part of the general assessment. A graduated flat rate tax was inaugurated, starting at a taxable income of \$400 and rising to \$30 for an income of \$3,000 with an additional \$15 for each additional \$1,000 of income. Business taxes could now be levied on a turnover basis at the rate of \$1.50 per \$1,000 of sales while special gross receipts taxes (ranging in rates from one half of one per cent. to two per cent.) were applied to railroad, telegraph and express companies, street railway and utility companies, mortgage loan and insurance companies. Banks were taxed at one fifth of one per cent. of the amount of notes discounted.

While these amendments of 1893 suggest a move toward a broader based and more complex municipal tax system, another amendment of that year made it possible for municipalities to take precisely the opposite course. By a two thirds vote of the council or on petition of one half the resident ratepayers in two successive years, taxation could be confined to land only. "Land" is to be understood as excluding buildings and improvements. This scheme of taxation, popularly known as "the single tax," has played an important role in municipal development in this province, remnants of it remaining to this day. Although provided for at this early date, information is not available as to the extent to which the straight land tax was adopted in the territorial period. It was not until the land boom preceding the First World War that it became widely prevalent.

Statute Labour in Rural Municipalities. The requirement that citizens serve their government by direct labour grew in the older countries of Europe from feudal traditions—the "corvée" of the French "*ancien Régime*" being a famous example. In the newly settled areas of North America the practice also firmly established itself. It was peculiarly suited to a relatively self-sufficing, non-market economy in which manpower was chronically scarce and in the early years of Saskatchewan's history it played a role of some importance. Provision for statute labour was made in the first Ordinance of 1883. It consisted of one day's labour for each \$300 of assessment and was in addition to other taxes. From the beginning, though, it was possible to commute statute labour, the rate being \$2 per day prior to 1890, \$1 until 1897 and \$1.25 thereafter. Changes in the basis of assessment were also made, the

levy continuing in relation to assessed value for owners of sub-divided lots, and being established at 2 days for each quarter section for owners of farm land. While probably not an efficient way to carry forward municipal public works there was in many cases no other alternative. Though later abandoned, as rural settlement and wealth increased, it is interesting to note that even today in periods of crop failure taxation in rural areas sometimes resembles the older statutory labour. Taxes can, in part, be "worked off" by those assessed.

Borrowing Powers of Municipalities. Municipalities were given the right to incur long term debts in 1883, but no provision was made for current borrowing until two years later and no limit was placed on either class of debt. No provision for supervisory control by the government over debenture issues appears to have been made. In 1887 debentures were restricted to a term not exceeding 30 years, which was changed in 1894 to 30 years for utilities and 20 years for other purposes, and changed again three years later to 40 years where the purpose was to purchase capital stock of railways and 20 years for other debentures. Debenture debt limits were introduced in 1887. Total debt was not to exceed five per cent. of assessed property, a figure revised to eight per cent. five years later and increased to ten per cent. in 1894.

(2) Small Urban Communities

In 1888 the Unincorporated Town Ordinance was passed, which for the first five years operated merely as a regulatory measure in areas up to two quarter sections, which contained at least 20 dwellings, outside established municipalities. It provided specific rules relating to sanitation, nuisances, the keeping of swine, the storage of coal oil and gunpowder and the use of hay or straw in constructing buildings. In 1893 the principle of local government was introduced by making provision for an annual meeting of ratepayers to elect an overseer, determine the extent and location of public works, provide for fire protection and the disposal of garbage, the control of stray animals and, finally, to fix the annual tax rate (limited to five mills in the year 1893 and ten mills thereafter).

The Village Ordinance of 1896 re-enacted most of the provisions of the earlier legislation. The elected overseer was the chief executive officer and was paid \$60 a year plus 2½ per cent. commission on all receipts. A minimum tax of \$1 on both real and personal property was repealed in 1897 and a tax of \$1.25 placed upon all persons not assessed. In the following year this was replaced by a \$2 poll tax on non-

property-holding males over 18 (with certain exceptions) but two years later this tax was repealed and a minimum tax of \$1 per assessed person restored. The "single tax" feature was extended to villages in 1900. By a petition of two thirds of the voters a village could impose a tax, on land only, up to a maximum of 20 mills.

The ratepayers of a village were permitted discretionary powers in providing certain local services and regulating other matters such as storing coal oil and gunpowder, the use of hay or straw in constructing buildings, etc., but the territorial law imposed rigid and detailed sanitary regulations.

As settlement became more rapid and communities increased in size more powers were granted to villages. They were permitted to license hawkers and peddlers, travelling shows and billiard rooms. The maximum area of a village was expanded in 1899 to a section of land and in 1901 to two sections, each requiring a minimum of 15 dwellings. The duties of the overseer must also have increased as he was given the right to incur a debt up to \$100 for current needs and also acted as assessor, collector, constable, poundkeeper and sanitary inspector, for which he could be paid for his services at from \$15 to \$100 per year as determined by the ratepayers, plus 2½ per cent. of taxes collected.

Prior to 1901 a two thirds vote of electors at a village meeting was required to authorize the expenditure by the overseer of \$500 in acquiring equipment or property. In that year permission was granted villages to issue debentures limited to \$1,000 or to ten per cent. of property valuation, whichever was higher, and restricted to ten year issues.

Supervision and control over villages by the government was more direct than that exercised over rural municipalities and towns. For example, an Ordinance passed in 1897 required the creation of a contingency fund equal to 15 per cent. of the taxes collected in villages. Title to property acquired by the village was vested in the Commissioner of Public Works (Ordinance of 1900). That official could appoint a person as overseer if the ratepayers failed to elect one and could also appoint an inspector to examine the public works constructed in the village.

Very meagre information is available as to the activities of villages and their achievements. The tax rates in the majority of villages ranged from two to five mills. In 1901 three villages floated long term loans of \$500 for sidewalks and water supply. The following

schedule shows the towns and villages organized in what is now Saskatchewan at the end of each of the years indicated:

Year	Villages	Towns
1897	6	8
1898	14	3
1899	17	3
1900	20	4
1901	21	5
1902	23	6
1903	29	7
1904	46	13
Sept. 1, 1905	68	16

(3) Development of Rural Organization in the Territorial Period

Local Improvement Areas. The form of government for rural municipalities as provided by the municipal Ordinance of 1883 proved much too elaborate for the stage of development reached in the early years of settlement. Local activities, apart from providing educational services, were confined almost entirely to the construction of roads and fire guards and to securing supplies of water.* The territorial government furnished well drilling equipment and, in many instances, road graders so that only labour and horsepower had to be supplied by local residents.

The forerunners of Local Improvement Districts were the Fire Districts first provided for in 1886 and the Statute Labour Districts established in the following year. In 1888 these were combined under one Ordinance. The area of a combined district was limited to four townships and was to be erected upon petition of the residents. At first a minimum of 50 residents was required, which later was changed to eight for each township. An overseer was elected with power to require the performance of labour on roads or fireguards as he directed. In 1893 the area of a district was reduced to one township with a right to add any adjoining fractional township and, in 1897, to a maximum of two townships. At the same time the Lieutenant Governor was empowered to reorganize districts previously established, which suggests that a number of one-township districts had been set up.

In the first Fire Districts Ordinance a tax of \$4 was charged each resident with the right to work out the tax at the rate of \$1 per day or, if a team was supplied, at the rate of \$2 per

* See A. N. Reid, "Local Government in the North-West Territories: I. A Study in the Beginnings of Rural Local Government, 1883-1905", *Saskatchewan History*, Vol. II, No. 1, 1948, pp. 1-13.

day. This was later changed to one day's labour with the right to commute in cash at \$1.50 per day. In Statute Labour Districts those not owning property were assessed one day's labour with the right to commute at the same rate. Owners of property were assessed two days for a quarter section, three days for a half section, four days for a section and one day for each additional section. This was obviously designed to apply to owners of large tracts of land such as the Canadian Pacific Railway and the Hudson's Bay Company.

Numerous changes were made in the schedule of statute labour imposed. In 1890 five days were required for a section of land, six for a section and a half, and two days for each additional section. Three years later almost the entire schedule was changed by requiring two days labour for each quarter section. Finally in the following year the first step in shifting the emphasis from statute labour to payment of taxes in money was taken. Flat rates of \$1.25 for each male (between specified ages) who did not own property, and for property owners, \$2.50 per quarter section and 67½ cents for each additional 40 acres, were levied. While the right to pay the tax by day labour (at \$1.25 per day or \$2.50 for a man and team) continued, this marked a step toward more modern forms of municipal taxation.

Until 1896 the overseer of a district had complete discretion as to the extent and location of public improvements. In that year the ratepayers were empowered to decide at an annual meeting what equipment was to be purchased and where work was to be done, even to the extent of having improvements made outside the district. Apathy on the part of the ratepayers of some districts is indicated as provision was also made for the appointment of an overseer if none was elected and for him to determine what work was to be done if ratepayers at the annual meeting failed to decide. The Commissioner of Public Works prepared a manual of instructions for road building for the guidance of district overseers and he was also empowered to appoint inspectors to examine the work accomplished.

At the time that these districts were building local roads and fireguards similar work was being carried on by the Council of the Territories with, in addition, the construction of bridges. Just at what point the responsibility of the district ended and that of the government commenced is not clear. Many districts apparently held the view that road improve-

ment was a responsibility of the government,¹ but activities in subsequent years indicate some division of responsibility with the government constructing roads from settlements to trading centres as well as all bridges, and districts building purely local roads.

The number of districts organized voluntarily from 1890 to 1896 was only 57. This was considered to be too slow to keep up with expanding settlement. Too much of the task of providing purely local public works was being left to the government whose facilities for rendering such services were entirely inadequate. As a result, compulsory formation of Statute Labour and Fire Districts was instituted leading to the organization of 181 such districts in 1897 and 178 in 1898.

Local Improvement Districts. The Local Improvement Ordinance of 1898 replaced the Statute Labour and Fire Districts Ordinance. The area of the new districts was not to exceed two townships with a minimum population of 12, but for the most part those organized were one township units. The provisions as to election of an overseer and the schedule of taxation with commutation by day labour continued.

Table II reflects the achievements of local improvement districts in building roads, small bridges, culverts and dams, and plowing fireguards, in the period 1898 to 1908.

The Department of Public Works commended the action taken by districts in providing for much of their local needs thus relieving the government of a heavy burden in terms of money and machinery. Road-graders were furnished by the government (in 1900, 24 outfits were in use) and overseers were urged to build within the settled area of each district in order to make the most efficient use of available resources. The government continued to build main roads to market centres primarily for the purpose of moving grain, although it was also recognized that people were increasingly desirous of using main roads for personal travel. Construction costs were comparatively low as even these main roads (20 feet wide with an 18 inch crown), were built at an average cost of \$30 per mile.² In contrast with the estimated \$60,000 spent by all local improvement districts in 1898, the government spent \$49,847 in clearing and grading roads, \$47,740 in constructing 94 bridges and about \$10,000 in repairing bridges, culverts and dams. In addition, the government assisted many areas by drilling wells as it was financially difficult for most districts to purchase the necessary equipment. At the end of 1898, 25 wells had been put down ranging in depth from 50 to 280 feet.

¹ *Annual Report of the Department of Public Works, North-West Territories, 1896*, p. 88.

² *Ibid.*, p. 71.

TABLE II

WORK ACCOMPLISHED BY LOCAL IMPROVEMENT DISTRICTS, 1898 TO 1903.

	1898	1899	1900	1901	1902	1903
Number of Districts	414	427	459	461	458	456
Days worked in commutation of taxes	24,447	36,634	42,625	53,171	52,862	62,650
Miles of road graded	488	572	610	598	509	657
Miles of road cleared	272	672	477	567	422	426
Miles of fireguard ploughed	982	1,307	1,164	940	682	547
Bridges built	50	131	183	239	308	281
Bridges repaired	78	139	158	228	303	256
Culverts built	187	444	903	1,213	2,051	1,713
Culverts repaired	74	159	259	341	671	803
Dams built	12	28	34	34	56	32
Dams repaired	29	62	59	71	114	82
Holes, old wells, sloughs, etc. filled	820	1,826	2,245	2,595	4,233	3,224
Yards of corduroy completed	1,977	3,817	16,448	36,384	68,120	46,319
Average amount paid overseer for assessing and overseeing	\$ 23 56	\$ 23 92	\$ 27 43	\$ 31 80	\$ 34 08	\$ 42 69
Amount collected by overseers for taxes (largely payments by companies, and non resident land owners)	\$ 10,373	\$ 14,868	\$ 20,337	\$ 26,615	\$ 39,448	\$ 29,416
Value in money of commuted taxes at average of \$2 per day	\$ 48,894	\$ 73,268	\$ 85,250	\$ 106,342	\$ 105,724	\$ 125,300

Note. Days of labour have been reduced to money value at an average of \$2 per day, assuming that most of the labourers furnished teams.

Source. A. N. Reid, "Local Government in the North-West Territories", *Saskatchewan History*, Vol. II, No. 1, 1949, p. 11.

With rapid settlement of the country and increased density of population more services were required and more problems arose. Two insistent problems of rural areas were met, in 1899, when ratepayers at an annual meeting were empowered to direct the overseer to spend up to \$20 in purchasing gopher poison, and to look after the destruction of weeds on road allowances as well as on private property if the owner did not do so. In 1901 ratepayers could increase their taxation up to double the amount set by ordinance (\$2.50 per quarter section, 50 cents for ten-acre plots or less) by passing a resolution by a two thirds vote at the annual meeting. Commutation of taxes by performance of labour was being condemned as wasteful and the law was changed to provide for abolition of this privilege upon a two thirds vote of ratepayers.

The conviction appears to have been growing that direction to the overseer by an annual meeting of ratepayers, although perhaps representing the purest form of democracy, was not adequate to cope with all the problems of administration. Considerable agitation for rural municipal organization embodying local gov-

ernment through an elected council developed. The annual reports of the Deputy Commissioner of Public Works stressed the inadvisability of organizing municipalities, having in mind no doubt that heavy debenture financing would result in sharp increases in the burden of taxation. Comparisons were made between the municipalities on the western boundary of Manitoba and adjoining small local improvement districts in what is now Saskatchewan. It was pointed out that in Manitoba taxation for both municipal and school purposes ranged from \$10 to \$20 per quarter section, while in adjoining local improvement districts it did not exceed \$6 per quarter section.¹ Administration costs were also compared and were stated to be from 15 to 25 per cent. of expenditures for improvements in Manitoba municipalities as against less than three per cent. in local improvement districts.² At the same time some small local improvement districts, influenced no doubt by what appeared to be an inadequate administrative structure, were giving up their

¹ *Ibid.*, p. 85.

² *Ibid.*, (1900), pp. 72-3.

privilege of self government and becoming attached to large local improvement districts, thus placing the entire responsibility for providing local services on the government.

As a result of the growing recognition of the inadequacy of existing rural organisation new legislation was passed in 1904 completely revamping the system of local government. The small one-township local improvement districts were abolished and provision was made for areas or districts of from three to six townships with a minimum population of one person to each three square miles. A councillor was to be elected for each township and the scale of taxation was changed to a flat rate of from one and one quarter cents to five cents per acre, with a minimum tax of 50 cents per parcel. Practically all of the new districts were four township areas. The council of four elected one of its number chairman and was given wide powers of administration. It could determine the location and extent of public improvements, including work done jointly with other districts, appoint officers, control the rate of pay within the statutory limit of \$2 per day for a man or \$4 per day for a man and team, fix the tax rate within the statutory limits and allow a discount of ten per cent. for prompt payment of current taxes. The privilege of commuting taxes by day labour was abolished. Fifty per cent. of proposed district expenditures (or a lesser proportion as determined by council but not less than 25 per cent.) was to be apportioned among the divisions. This principle was so firmly established that it continues in many rural municipalities to this day although the statutory provisions were completely repealed 19 years ago, being considered a wasteful and illogical method of spending public money.

Large Local Improvement Districts. In some parts of the Territories any form of local government, even the relatively simple organisation of the local improvement district, was too advanced for the stage of settlement achieved. Accordingly, in 1899 provision was made for establishing large districts which were to be centrally administered. They were to be a minimum of two townships in area, no part of which could be in a municipality or (small) local improvement district. The overseer was appointed by the central government and possessed power to impose a flat tax of \$2 per quarter section, and 50 cents for each additional 40 acres. Two years later the tax was placed on a straight per acre basis at a rate of one and one quarter cents. Commutation of the tax by furnishing labour was not permitted.

Tax assessments and collections were made by the government and expended by the overseer on public works in the district. In what is now Saskatchewan ten districts were established in 1899 and five more in the following year. These large districts provided the organisational pattern upon which the present government of local improvement districts (on the northern fringe of settlement and in certain south-western areas of the province) is based.

Information on the achievements of large local improvement districts is extremely limited but Table III provides some data on tax levies, collections and expenditures. It may be significant that over several years only about 50 per cent. of the taxes imposed was actually collected, a condition that continued in local improvement districts until recent times, indicating possible apathy on the part of taxpayers who have no voice in local government.

(4) Municipal Institutions in the Province

Early Municipal Legislation and Division of Responsibility. On September 1, 1906, when the province was formed, 3 cities, 16 towns, 63 villages and 191 (small) local improvement districts had been established. The latter had increased in number to 302 by the end of 1906 and to 330 a year later. The new provincial legislature turned its attention to the question of municipal organisation at its first session and appointed a commission to enquire into and report upon the subject. The recommendations of this report were embodied in the city, town, and village Acts of 1908 and The Rural Municipality Act of 1909. Few important changes were made in the legislation relating to urban units, most of the provisions being carried over from the Territorial Ordinances. Rural organisation was more significantly affected. The Act provided for the disorganisation of all (small) local improvement districts and the establishment of temporary nine-township areas called Territorial Units. This was the first step in the transition to rural municipalities which was to be completed by December 31, 1912. During that period, organisation into rural municipalities followed a favourable vote in each area but at the end of 1912 the 90 remaining districts, in which no action had been taken, were constituted as municipalities without any vote of residents.

It is interesting to examine the approach to the problem of road construction as one example of attempts to define an agreed-upon division of responsibility between the two levels of government. In the period 1906 to 1910 the expenditures of local districts had

TABLE III

TAX LEVIES, TAX COLLECTIONS AND EXPENDITURES OF LARGE IMPROVEMENT DISTRICTS, 1899 TO 1908

	Taxes Imposed	Taxes Collected	Expenditures
1899	\$ 31,896	\$	\$
1900	53,569	13,319	9,831
1901	61,294	61,781	26,152
1902	182,300*	90,605	123,215
1903	275,537	93,227	106,672
1904	269,648	132,644	70,030
1905 (Sept. 1)	266,784	90,470	82,700
1906 (18 months to Feb. 28, 1907)†	80,863	56,150	84,062
1907	81,803	61,935	53,820
1908	76,055	43,139	54,785
Total	\$1,379,749	\$643,270	\$611,267

* The Report of the Department of Public Works mentions that aids of railway companies were taxed for a total of \$66,530. This sum is included in the total for 1902.

† The sharp drop in tax levies after 1905 is due to the separation of the Territories. After that date only the 16 districts in Saskatchewan are included.

Source: Annual Reports, Department of Public Works, North-West Territories, 1899 to 1904 and Province of Saskatchewan, 1905 to 1908-09.

increased considerably but apparently had not been keeping pace with demands for roads. Many districts had imposed the maximum tax of \$8 per quarter section yet were appealing to the government for grants.* The government, in its turn, was building most of the bridges and in 1907 had 25 road crews scattered around the province attempting to improve those roads which were most urgently required. Gradually the conviction grew that a more systematic approach to the problem was required. It was realized that for some time to come many settlers would be unable to build the roads they needed out of local taxation and that if any system of main roads was to evolve the provincial government would have to devise and support it. Accordingly it was suggested that these latter be built by local councils in co-operation with the Department of Public Works. A survey of the situation was undertaken with requests going to district councils for advice regarding the principal lines of travel within the district. The results were rather disappointing. Some councils thought the government was interfering with local projects which were to be paid for by local taxation entirely. Others concluded that the government intended to relieve local councils not only of the initial cost of construction of these roads but also of their maintenance for all time.¹⁰

Despite this confusion a definite policy was slowly worked out. The government began to plan its roadwork program much more systematically, confining assistance to what were termed "main market roads" and carrying out actual construction in a more uniform manner. The provincial highway system did not, of course, come into existence until some years later, although these developments foreshadowed its appearance.

Municipal Development Since 1905. The number of self governing municipal units at the time of the formation of the province and at present (Table IV) reflects the growth during that period.

Expansion in services has kept pace with the increase in number of municipalities. In rural municipalities the 20-foot graded road

TABLE IV
MUNICIPAL ORGANIZATION IN SASKATCHEWAN, 1905 AND 1950

	1905	1950
Local Improvement		
Districts*	191	22
Rural Municipalities	2	303
Villages	63	399
Towns	16	85
Cities	3	8

*In 1905 Local Improvement Districts were all four-township areas with local self government. In 1950 Districts average from 27 to 36 township areas with no local self government.

* *Ibid.*, 1905-07, p. 7.

¹⁰ *Ibid.*, p. 8.

with an 18 inch crown has given place to standard built roads sufficiently high above the level of the land to lessen drifting of snow in winter and constructed to carry heavy motor traffic. As at the beginning of 1948 the rural municipalities of the province had 5,500 miles of standard road 22 to 24 feet wide, 14,000 miles of elevated road 20 to 22 feet wide, and 55,000 miles of local bladed roads. In addition, rural municipalities have increased their services in aid of agriculture, such as those relating to destruction of pests, improved methods of tillage, weed control, assistance in financing operations (seed grain advances, fuel oil, fodder), pure bred stock, veterinary services, the clearing of land, water supply and drainage. They have improved health services by appointing municipal physicians and nurses, and have contributed to the treatment of tuberculosis and the improvement of sanitation. They have supported social services by aiding destitutes and neglected children, and by making grants to numerous local activities. Finally, they have assisted educational and cultural services by establishing libraries and recreational facilities.

Urban municipalities have similarly expanded their services. In addition to many of the services listed above which are equally applicable in urban communities, definite improvements have taken place in police and fire protection and other safety measures. Improved streets and walks, means of transportation and recreational facilities have been provided. Hospitals, libraries and parks have made their respective contributions to the life of the community. Many urban municipalities possess flourishing public utilities.

A definite evolution has also occurred in the financing of local government, particularly in the urban units. While it is not surprising to find that land taxation has always been and still is almost the sole revenue source of rural municipalities, the course of urban taxation in Saskatchewan has been more varied. Reference was made above to the "single tax" features of territorial legislation which were continued after 1905. In the period immediately preceding the First World War many urban units in Saskatchewan went far toward applying this policy of concentrating all taxation upon land. Business and other taxes were repealed and buildings were either entirely or partially exempted. At the peak of the "single-tax fever" in 1913 about one-quarter of the villages, and some of the towns had adopted some form of the plan. Since then temporary financial stringencies and steadily increasing demands for revenue have compelled a move towards broadening the tax base. Assessments upon

buildings and improvements are now at 60 per cent. of value in all towns and villages and in most of the cities. In 1943 the Urban Assessment Committee after a thorough study recommended that this remnant of single tax theories be removed and that buildings be assessed at 100 per cent. of value. Thus far no action has been taken. Strenuous efforts have been made to increase other sources of revenue however, and for many urban units business taxes, public utility surpluses, licences, and service charges have become important contributors to the support of local government. In recent years government grants have assumed an increasingly important role.

The proper size for municipal units has presented itself as a recurring and vital question to all those interested in local government in Saskatchewan. No significant changes have been made since the first municipal legislation of 1908-09, although a number of years ago the minimum population required to permit incorporation of a village was raised to 100 to prevent small communities from imposing an administrative load out of all proportion to the needs of the community. More recently another provision was enacted to permit a measure of local control of services in urban areas too small to incorporate as villages. The latter development relates to organized hamlets which may have a board of trustees of three functioning as a tax requisitioning body for local needs. Actual expenditures are still made by the council of the rural municipality upon the projects designated by the local board.

About 20 years ago some enquiry was made by officials of the Saskatchewan Association of Rural Municipalities into the desirability of establishing larger units of administration in rural areas. This inquiry involved some investigation into the creation of a county system superimposed over the rural municipalities, but the conclusion reached was that it appeared to be a cumbersome system which would obviously increase administration costs. In 1945 a committee was created by the Government of Saskatchewan to make a study of the rural municipal system in the province, with the object of determining the basic principles which should apply in creating the most efficient and economical unit of local government to provide local services. The committee has not yet issued its report.

4. OTHER LOCAL AUTHORITIES AND INSTITUTIONS

(1) Rural Telephone Companies

Apart from school districts, rural telephone companies were the first of the special service

authorities given the power to levy taxes on land through municipal agencies. These companies were organized in order to speed up the development of local telephone service in rural areas and to enable the formation of a decentralized telephone system in which the provincial government financed, owned and operated only the long distance lines. The Act of 1908 provided that any five or more persons in a rural community could organize a telephone company, the capital stock being limited to \$150 per pole mile. Initially no power was granted for the issue of debentures as the share capital was expected to provide all funds necessary for construction. The board of directors of a company was empowered to make all regulations for the operation and management of the utility.

In 1913, difficulties apparently having been encountered in obtaining sufficient capital subscriptions, new legislation provided for the reduction of share capital to \$10 per pole mile and the issue of debentures to raise money for construction. The repayment of such debentures with interest was provided for by a flat levy per quarter section imposed through rural municipalities. This system of financing capital expenditures is still in effect. Since 1919 debenture indebtedness has been limited to \$350 per pole mile and since 1923 companies have been able to impose special tax levies (at present up to a maximum of four per cent. of paid up debenture debt) similar in nature to the debenture levies and for the purpose of meeting renewal and reconstruction costs as well as any deficiency in the debenture tax levies. Financing of operating costs has always been by way of charges to users of the service, imposed and collected by the board of directors.

Organization of rural telephone companies proceeded at a rapid pace, reaching a peak of 1,214 in 1926. Amalgamations have reduced this number to 1,026 as at the beginning of 1950. They form a network which extends to almost every settled part of the province and which is linked up to a connected system of central offices operated by the provincial government.¹¹

(2) Drainage Districts

An ordinance respecting drainage was in effect in Territorial days and with few changes has been continued as the present Drainage Act which provides for draining of low areas, charging the cost against lands benefiting from the works. Actually, these areas, though

termed districts, had no form of local government. They were established by the Minister of Highways upon petition of owners of land in an area requiring drainage. Construction was done by the Department of Highways, financed by debentures issued by the province repayable through a local improvement tax on lands benefiting from the project. These taxes were imposed and collected by the municipalities and collections remitted to the government.

Since the formation of the province 25 districts have been established and works have been undertaken involving an expenditure of \$686,323. There has been no activity in constructing new ditches since 1929. Maintenance of drainage projects is a responsibility of the municipalities in which they are located.

(3) Union Hospital Districts

Joint action on the part of groups of municipalities in order to provide hospital facilities was provided for by The Union Hospital Act of 1916. Rural municipalities, local improvement districts, villages and towns were permitted to establish administrative boards to construct and operate a hospital for residents of the area. In the following year cities were also permitted to enter these hospital districts. Initially the board was made up of two representatives from each municipality, of which one was to be a member of council, the other a ratepayer not a member of council. At present, representation is according to the equalized assessment of each municipality in a district with any burgess, in or out of council, being eligible to serve. Usually members of municipal councils are selected as board members in order to secure direct contact between the two bodies.

In the first year in which The Union Hospital Act operated, plans for proposed construction and the proportionate sharing of costs by contributing municipalities were subject to the approval of the Local Government Board. Each municipality issued debentures according to its determined share, and the issue was limited in such a way that not more than two mills could be levied for repayment of the debenture and interest. Deficits on operation were apparently not anticipated when the Act was first framed but were not long in making their appearance. In the next year quarterly deficits were made a responsibility of the contributing municipalities.

Some years later union hospital districts were themselves permitted to issue debentures for construction, equipment and sites, replacing the issues originally made by each municipality

¹¹ For a fuller discussion see G. E. Britnell, *Public Ownership of Telephones in the Prairie Provinces*, (Toronto, 1934).

separately. This system of capital financing is still in force.

Formerly the levies by contributing municipalities to meet debenture charges were payable as collected, although in practice they were usually paid within the year of levy. The provisions of the law respecting levies for debenture charges and for meeting quarterly deficits were, however, not properly related and proved somewhat impractical. As a result, the entire system of financing a portion of operating costs through tax levies was changed in 1947 by requiring the preparation of annual estimates. These estimates were to include debenture charges as an operating cost (before determining the probable surplus or deficit), minor capital expenditures, and, if so desired, further provisions to create a reserve fund for future capital expenditures. The annual deficit (if any), budgeted for, plus reserves for future capital expenditures, make up the sum to be provided by taxation. The tax levy is now payable as collected within the year of levy, and at the close of each fiscal period the balance of the levy not collected must be paid to the hospital district by each contributing municipality. This rather rigid requirement may result in a considerable financial burden on contributing municipalities in years of poor tax collections.

Within a 15 year period after the first Union Hospital Act became operative 21 districts were formed. Thereafter activity in establishing new districts lessened until four or five years ago when a fresh impetus brought the number up to 95. With the exception of health regions, the territory adjacent to cities and larger towns, and small fragments of areas between established districts, practically the entire settled part of the province is now contained in union hospital districts.

(4) Health Regions

While The Health Services Act of 1944 contained a section empowering the Minister to divide the province into health regions, action was not taken until 1946 when the Act was re-drafted. The first health region came into being that year and five other regions have been set up since that time. As of June 30, 1950, notice of establishment had been published for two additional regions.

The areas contained in health regions vary considerably in size. The first region consisted of approximately 45 rural municipalities and local improvement districts and all the urban municipalities within the area—or about 400 townships in all. The other regions range from 160 to 360 townships.

Each region is divided into districts and each district sets up a council made up of one representative from each municipality in the district. The district council elects from its members the required number to make up the regional board. The number of board members from each district is set by the Minister of Public Health. Where a city forms an entire district the council is also the district council. District councils also act in an advisory capacity to the regional board and usually an annual meeting of district councils and the regional board is held.

The services which may be provided by a region are medical, dental and nursing services, and include the provision of drugs and appliances. The regional board, in addition to administering the region, also acts as a board of health for public health and preventive services. The board may acquire and operate hospitals, clinics and health centres and may employ doctors, dentists, nurses and other technical or clerical staff to give the necessary services.

The cost of health services rendered by a region is financed by a tax on all property and business assessment in the region, or a poll tax on all residents in the area, or a combination of both forms of taxation. In addition, the province pays a grant toward part of the cost.

5. RECENT TRENDS

The rapid increase in union hospital districts, the amalgamation of school districts into larger units and the creation of health regions point to a trend in development of local authorities along functional lines. This has certain advantages such as equalizing the tax burden, placing administration in the hands of an executive body that makes one service its particular job and providing more latitude through an enlarged area for developing a service to its fullest possible efficiency. On the other hand, this development has the disadvantage of weakening the municipal body by attracting many capable persons to the administrative bodies of such local authorities and overshadowing the achievements of municipal councils by sheer magnitude of performance. The question in the minds of many who are interested in local government is: will the remaining important service, that of roads, follow the trend by the creation of areas or districts consisting of several municipalities whose function will be to build and maintain the best possible system of highways? Such an authority would, of course, become another tax requisitioning body, a spending body that is not directly sensitive to the tax burden.

Against this must be placed the positive advantage that construction of roads would be further removed from local influence and might tend to follow a planned pattern. Acquisition and more economical use of powered machinery would follow, as well as advice and guidance from professional engineers and road builders. Yet the stubborn fact remains that the status of the municipal council would be reduced, making it little more than a taxing and

collecting agency. If the strength of democracy lies in vigorous, responsible, local government there is a danger that the foundations of our system may be weakened by the erection of a number of functional authorities that are concerned more with the spending of money than with the tax burden such spending creates and which operate in such large areas that they may well lose touch with the people.

PART II

The Nature of Municipal Institutions

1. LEGAL POSITION IN THE DOMINION AND IN THE PROVINCE

It has been shown in Part I that municipalities had assumed a position of considerable importance in the Northwest Territories prior to the formation of the Province of Saskatchewan. Actually, the concept of the municipality is a very old one, and was very well known and understood at the time of Confederation.

Section 92 of the British North America Act, 1867, enacts as follows:

92. In each Province the Legislature may exclusively make Laws in relation to Matters coming within the Classes of Subjects next hereinafter enumerated; that is to say,—

2. Direct Taxation within the Province in order to the raising of a Revenue for Provincial Purposes.

8. Municipal Institutions in the Province.

9. Shop, Saloon, Tavern, Auctioneer, and other Licences in order to the raising of a Revenue for Provincial, Local, or Municipal Purposes.

13. Property and Civil Rights in the Province.

16. Generally all matters of a merely local or private nature in the Province.

Under the above heads, along with Section 93 of the same Act which gives to the provinces exclusive legislative jurisdiction over education, the rights of minorities being safeguarded, the Legislature of Saskatchewan has established a system of local self government through the creation of public and quasi-public corporations. All such corporations can exercise only such powers as have been granted to them by the express words or necessary implication of the statute creating them, and these powers cannot, of course, exceed the powers of the legislature of the province. No municipal corporation in Saskatchewan can trace its existence through royal prerogative. All the powers which they exercise and all the duties with which they are charged stem from the legislature of the province. Such powers and duties may, at the pleasure of the legislature, be modified, increased or diminished, or the legislature may annul the corporate existence of the municipality altogether.

Prior to the creation of the province in 1905 it seems that many municipal corporations existed by virtue of their own private charters.

Today this is not the case. All of them exist and derive their powers through Acts of general application. Cities, towns, villages and rural municipalities owe their legal existence and obtain their powers respectively, from The City Act, The Town Act, The Village Act and The Rural Municipality Act.

Corporate bodies created for the purpose of dealing with education are known as school boards. They are organized under such enactments as The School Act and The Secondary Education Act. There are union hospital boards created under The Union Hospital Act. There are rural telephone companies, quasi-public corporations which derive their powers through The Rural Telephone Act. There are many bodies of a municipal nature in Saskatchewan.

The various municipal bodies all have a territorial significance and the territories frequently overlap. Each municipal body, nevertheless, has an independence of its own subject only to the complete over-riding potential control of the legislature. That there is an over-riding control in the legislature does not in any sense, in the opinion of your Committee, diminish the practical importance of municipalities and municipal government. The concept of state sovereignty exists in the world society and under our federal system sovereign power over municipalities is appropriately given to the provinces. The fact that the province has complete legal jurisdiction over municipalities imposes a practical obligation to see that they are in a position to discharge their local obligations effectively.

2. MUNICIPAL INSTITUTIONS IN A DEMOCRACY

In a highly regarded work Alexis de Tocqueville¹ declared:

"Municipal institutions constitute the strength of free nations. Town-meetings are to liberty what primary schools are to science; they bring it within the people's reach, they teach men how to use and how to enjoy it. A nation may establish a system of free government, but without municipal institutions, it cannot have the spirit of liberty."

With this statement your Committee is in complete agreement. It is assumed that the essence of democracy consists in the recogni-

¹ *Democracy in America*, 7th Ed., (1882), Vol. I, p. 76.

tion of the individual, a recognition of his dignity, a recognition that one man is entitled to his opinion equally with another, regardless of the privilege of wealth or heredity. It seems obvious that democracy, so understood, can best flourish in the small political unit known as the municipality.

In the municipality the individual comes to be recognized in something the same manner as in a family. There is a close community of interest. People are close enough to their problems so that it is relatively easy for them to assume responsibility. It is part of the same phenomenon, moreover, that those in authority are close enough to the people to appreciate the needs and wants of the community and to hear the complaints of dissatisfied persons.

It seems desirable, therefore, that provin-

cial authorities, having a responsibility in law to municipal institutions, should lend every effort to the end that the local units of government should be in a position to discharge their functions. It is also desirable that these functions should be of considerable significance if the spirit of democracy is to be maintained.

3. MUNICIPAL EXPENDITURES IN CANADA

It is a well recognized fact that governmental expenditures have increased enormously over the last few decades. It is, perhaps, less widely appreciated that the expansion in expenditures has been much more significant in the case of the senior governments than in the case of the municipalities. Both the total and relative expansion of expenditures are shown in Table I.

TABLE I
TOTAL EXPENDITURES OF DOMINION, PROVINCIAL AND LOCAL GOVERNMENTS
FOR SELECTED YEARS, 1913 TO 1948

	1913	1921	1926	1930	1934	1938	1942	1945	1948
(MILLIONS OF DOLLARS)									
Dominion ..	131.2	381.3	313.5	369.0	410.7	473.0	3,714.3	4,793.2	2,100.5
Provincial ..	48.9	91.4	127.0	184.4	229.9	266.2	275.7	374.1	550.7
Local ..	100.4	204.9	240.3	284.9	282.1	287.8	286.0	335.5	440.9
Total ..	280.5	677.6	680.8	838.3	922.7	1,027.0	4,276.0	5,502.8	3,092.1
(AS PERCENTAGES OF COMBINED TOTAL)									
Dominion ..	46.8	56.3	46.0	44.0	44.5	46.1	86.9	87.1	67.9
Provincial ..	17.4	13.5	18.7	22.0	24.9	25.9	6.4	6.8	17.8
Local ..	35.8	30.2	35.3	34.0	30.6	28.0	6.7	6.1	14.3
Total ..	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: *Report of the Royal Commission on Dominion Provincial Relations*, for data for years 1913, 1921 and 1926; *Statistical Summary*, Bank of Canada 1942, p. 85 for years 1930, 1934, 1938, 1942; *Canada Year Book 1948-49* for year 1945; *Statistical Summary*, Bank of Canada, 1948 and 1949, for 1948 Estimates.

It will be noted that in 1913 total municipal expenditures in Canada were more than double the total of provincial expenditures. During and after the Second World War, the municipal total fell below the provincial total, and the present trend promises to continue. The experience in Saskatchewan has pretty well conformed to the national trend. In the United States the shift from local to national and state spending has been less significant, but the funds for local expenditures have included state grants in large amounts.²

The explanation seems to be, in some part, the disadvantage under which the municip-

alities operate as a result of relative fiscal weakness. But there are other factors concerned with efficiency discussed in section 4, below. It must also be kept in mind that when services are performed by a senior government, either provincial or national, a process of equalization results throughout the area.

Your Committee is not prepared to admit that the principle of equalization is a valid one for all purposes although a good case can be made for it in certain fields of social services, such as education and health. This matter will be discussed later in the Report.

Neither is your Committee prepared to agree that large scale operations are necessarily more effective than smaller ones. This

² See *State-Local Relations*, The Council of State Governments, (1946), Part Three.

matter, especially in its relation to the democratic principle, will be discussed in the following section.

4. MUNICIPAL UNITS IN SASKATCHEWAN

Part I has indicated the number and variety of municipal units, both rural and urban, in Saskatchewan. To these must be added the large number of school districts and other quasi-municipal units described in other portions of this Report, particularly in Part IV. Certainly if democracy can be guaranteed by a large number of municipal units its future in Saskatchewan should be safe.

The question has frequently been raised, however, whether there are not too many local units of government in this province for efficient and economical government, and whether democracy may not be endangered by the sheer weight of government. This feeling was, apparently, one of the factors that gave rise to a policy favouring larger school units, described in Part IV.

The question of the size of both urban and rural units has been a matter of discussion throughout the life of the province. It is frequently urged that certain urban units are too small and too weak for effective government. Even more frequently it is urged that the number of rural municipalities should be reduced, or that there should be many alterations of boundaries.

It is with some hesitation that your Committee approaches this question. It is well aware that a competent committee was constituted by Order-in-Council on March 20, 1945, under the chairmanship of Professor Hadley Van Vliet. That committee was directed to inquire into the efficiency of operation of rural municipalities and to report to the Government regarding such matters as size and administration.

Your Committee does not in any sense intend to trespass on the work of the Van Vliet Committee. The members of your Committee have, nevertheless, been impressed by the substantial duplication of effort among existing municipal units, including the purchase of expensive equipment, and by the comparative fiscal weakness of some of the units. It is felt, moreover, that in case a satisfactory scheme of reorganization does not result from the report of the other committee the matter should not be allowed to drop. In our opinion much could be accomplished through the co-operation of the Department of Municipal Affairs and the many experienced municipal men living in all parts of the province.

Your Committee is further of the opinion that the theory of municipal government expressed in this Part would be incomplete without some reference to the proper size of municipal units. The following remarks are theoretical in nature and are not designed to supplant the report of the other committee.

It is clear that the question of larger or smaller units of local government cannot be disposed of in purely quantitative terms. We cannot tell whether 324 square miles is a better or worse unit than 3,240 square miles, or than one of any other size, unless we consider the functions to be performed by the governing personnel and the conditions under which they must perform them. Neither the functions of local government nor the conditions under which those functions are performed are static. They vary from time to time and from place to place and may be said to relate to two factors: (a) to the current philosophy of government, and (b) to an ever-changing set of technological and social conditions which, in their changes, pose changing tasks for governments.

Fundamentally, then, three basic considerations bear on the question of the best size for municipal units in Saskatchewan: first, the Anglo-American tradition of democracy; second, a changing set of production and transportation techniques; and, third, a changing social consciousness. The last consideration arises from the other two. As methods of production change and become more complex there is a popular demand for more active governmental participation in the control, and even conduct of economic life. To the extent that such demands can be met within the democratic framework of government, they are met. Thus the activities of government increase with the passage of time.

These considerations interact and must be examined briefly. First, however, it must be noted that they may not all point in the same direction concerning a change in the size of local units. For example, as shown below, our tradition of democracy may suggest very small units of local government, units wherein individuals can have the maximum voice in government. On the other hand, the second and third factors tend, in modern times, to work in the opposite direction, towards larger units. The size and functions of local units can only be determined by a balancing of counter influences.

Changing methods of production and transportation and changing social attitudes may be dealt with together insofar as they bear in general terms on the size of local units. Here we have in mind chiefly the modern instru-

ments of transportation and communication and the way in which these have increased the interdependence of local and national communities. The railway, the steamship, the internal combustion engine, telephone, telegraph and radio make groups of people reliant on each other over a wider and wider area and tend to create for all a common set of problems.

Common problems are frequently handled best by a single authority. Consequently the influence of technology is toward centralization. The specific influences can be illustrated as follows. First the question of roads. With the internal combustion engine powering the automobile and the truck the road problem is revolutionized as compared with earlier days. If local units find a job of construction and maintenance beyond their resources the tendency is to pass the job over to a superior government, to the province or to the federal government. Second, with increased economic interdependence the impact of depression and unemployment is more severe. Again the tendency is to call upon the senior government. Third, more complex conditions of work require improved education of a technical nature if nothing more. Fourth, the increased mobility associated with improved transportation spreads the incidence of possible contagion and renders the health problem common to all. Finally, the realization of increased interdependence in all these fields establishes the demand that in no region shall the standard of performance fall below a reasonable common level, whether in the fields of health and education or throughout the broad area of public welfare.

These facts are commonly known and are merely reviewed here because they are not ordinarily analyzed as bearing on the question of municipal boundaries. As pointed out above, their influence is usually interpreted as working toward centralization, as tending to narrow the range of local activities and broaden the range of activities of superior governments. There is a common viewpoint that in more and more of the area of government activities the local units must yield place to higher governments simply because of local inability to handle problems of the magnitude posed by modern conditions.

That local governing units which were adequate to handle local problems a generation or two ago may be quite unable to do so today is understandable. Yet there are serious dangers to democracy in excessive centralization and the trends in this direction should be avoided as far as may be possible. One alternative which offers undoubted possibilities over a considerable range of the problem involves the reorganization of existing units of local govern-

ment. This expedient is being tried in a neighboring province and, with various modifications, is in effect in certain of the United States. The proposal to enlarge the local governing units in Saskatchewan requires analysis from many angles. At this point it is only intended to consider the proposal insofar as it concerns local self government as an instrument of democracy.

Proposals to enlarge local government units in Saskatchewan lead many people to fear the weakening of the democratic principle in these units. Genuine concern arises over what may happen to the "self" element in what purports to be local self government. Such concern is not to be lightly brushed aside. Students of government are unanimously agreed that the most searching tests of the measure of democracy within a country find their answer at the local government level. As Mr. Goldenberg says: "In any democratic state the principle of self-government in local affairs is a major constitutional premise." Professor Corry writes: "... it seems likely that vigorous local self-government is necessary to the maintenance of democracy in national politics and government. In a general way, the history of democratic experiments in the last hundred years tends to confirm this conjecture. Democracy has had the greatest stability and the highest measure of success in the countries with strong systems of local self-government."

Professor Corry's explanation of the reasons for the importance of strong local self government is significant. He recognizes but accords little weight to the two common arguments in the matter, namely that local government provides training for budding statesmen, and that in local government the citizens gain a political education which helps them to exercise their franchise wisely in national matters. His criticism of these arguments is their implicit assumption that only national and provincial politics are important for democracy. He deplores the modern weakness for big things, for the remote and shadowy, and states his conviction that, "We miss the essence of democracy if we think of it mainly as something practised by statesmen in a distant capital and forget that it consists of an attitude of mind towards, and a method of dealing with, all the stresses and strains of living together in a society."

¹ H. Carl Goldenberg, *Municipal Finance in Canada* (Appendix to Report of The Royal Commission on Dominion-Provincial Relations) (Ottawa, King's Printer, 1939), p. 4.

² J. A. Corry, *Democratic Government and Politics*, (Toronto, 1946), p. 417

³ *Ibid.*, p. 418.

For him the important point is that, "The ideal of political democracy demands intelligent, responsible participation by the people in the choice of those who govern and in the approval of the policies by which they are to govern . . . The ideal can . . . be much more closely approached in local government and politics and that is why democracy, like charity, begins at home." He adds: "Some approach to the ideal of intelligent, responsible participation is made in all municipalities where self-government is not a sham."

The essence of democracy is its emphasis upon the importance of the individual. Democratic government must be regarded as the means whereby free people seek to further their self-development in those fields of activity where the individual is unable to secure such development by his own isolated efforts.

Looking at the matter in this way there is much to be said for setting the goal for local government units as "the smallest units which can be governed efficiently". This may not give clear guidance in terms of actual size, for the standard would still have to be translated into areas with prescribed boundaries. But it clearly suggests that efficiency, which might under modern conditions imply great size, must not be regarded as the sole, nor probably even the prime, determining factor.

Does the desire to maintain the strength of democratic processes, then, preclude any move to enlarge the units of local government? Clearly it does not. The maintenance of small areas of government under altered circumstances might well hinder rather than ensure adherence to democratic standards. In concrete terms a very small governing unit might make it possible for people to take active interest in the government of their own affairs, but if from that local governing body all significant functions are removed, its citizens may well adopt the apathetic attitude expressed in the words, "What's the use? We're not doing anything worth while." Similarly the small unit if left with an impossible burden of responsibility will not find an interested citizenry, for again they may feel, "What's the use? We can't accomplish anything."

It seems clear that the "intelligent, responsible participation" which Professor Corry considers so important for local self government can only be expected if such government has entrusted to it a set of tasks which are of real significance to the citizens and which, furthermore, are not of an overwhelming nature. We may conclude that democracy will not be furthered by local government which is either

deprived of all responsibility, or which is left with unmanageable responsibility. We can probably conclude that democracy will not be furthered by making of local governments either mere collection agencies or mere administrative units of central governments. Nor will democracy be furthered by leaving with local governments a set of tasks for which they have not the financial or other resources.

From this argument there follows a clear indication that larger units in Saskatchewan may be necessary in order that such units may retain a place of worth-while activity in the scheme of democratic government. In fact, the alleged encroachment of provincial authority in local matters may be the inevitable and progressive result of the existence of local units too small to deal effectively with the problems posed by current social philosophy and by current technological developments.

The fear that any reasonable increase in the size of Saskatchewan's rural governing units may take government away from the people does not seem well founded. The essential requirement for local interest is that the unit, whatever its size, shall be charged with vital functions which it is capable of performing with reasonable competence. Under modern conditions, to preserve the small municipal unit may mean only that it will survive stripped of all significant functions, and local councillors may find it easy to get to council meetings, but useless to attend, because there is so little to do when they get there. It can be argued that councillors or legislators, whatever name they bear, will travel farther with better spirit if they have real tasks to perform when they arrive. It can also be argued that the latter situation will attract better men before the electorate and, finally, that the electorate will take more real interest in their election and in watching their activities after they have been elected.

As for the fear that municipal units may become mere collection agencies for the provincial government or for its administrative branches, there is here a real danger. But this tendency may be the inevitable accompaniment of a widely held belief that municipal units of the present size are not adapted to the assumption of additional duties on the standard regarded as satisfactory by the provincial government. The increasing tendency to look upon municipalities as collection agencies possibly may not be reversed unless they are enlarged to the point where they can assume a large responsibility.

The opinion of the Committee is quite definitely in favour of municipal reorganiza-

* *Ibid.*, p. 419.

tion with the idea of increasing efficiency, effecting economies and enlarging the field of democratic action. It must be repeated that these ideals cannot be achieved merely by enlarging the present rural units. As a general proposition the size of the new unit should be related to its predominant activity, due regard being paid to the community interest. It would be undesirable, without good reason, to resort to a wholesale uprooting of established areas periodically with consequent confusion and perhaps bitterness.

It is no part of the work of this Committee to recommend how or to what extent reorganization should be carried out. It might be suggested, however, that health and educational units should not be lost sight of when a study is being made. The proposed experiment with the county system in the Province of Alberta should be closely watched. It might also be pointed out that since road building and maintenance is the major activity in rural units, consideration might be given to the particular area which can be serviced by a complete outfit of road-building equipment through its full time seasonal use.

Reorganization is necessary, but the same need does not necessarily exist in all regions. The same detailed formula will not necessarily apply everywhere in the province.

5. GENERAL CONCLUSIONS

This Part is largely theoretical in nature. It has been written in an attempt to appraise municipal institutions as a part of the governing process, the existence of all governments being deemed to be justified only for the purpose of satisfying human needs.

From their appraisal of municipal institutions your Committee draws several conclusions:

(1) The preservation and strengthening of municipal institutions as efficient governing units and as expressions of democracy are matters of prime consideration for provincial authorities, both under Section 92 (8) of the British North America Act, 1867, and as matters of general social obligation.

(2) Maximum results are likely to flow not from legislating the municipalities into efficiency, but from consultations and co-operation between the Department of Municipal Affairs and municipal officials.

(3) Such assistance and co-operation could best be achieved through the establishment of a competent research staff as a part of the Department of Municipal Affairs.

(4) One matter that might well engage the attention of such a research staff would be the alteration of municipal boundaries. In the opinion of your Committee this is a matter of some urgency.

PART III

Provincial Revenues and Expenditures

A. REVENUES

1. INTRODUCTION

The first full year of financial operation of the Province of Saskatchewan¹ showed little indication of the evolution which has taken place in the revenue structure since that time. The one outstanding source of provincial revenue originally was the Dominion subsidy which provided a greater proportion of total provincial revenues than it has at any time since. Other revenues dating back to this period include school lands revenues, liquor licences and fees, and motor vehicle fees, but these were not significant in the early years of the province. Within two years of the formation of the province, however, the first revenues were received from The Supplementary Revenue Rate, the corporations tax, the railway tax and succession duties.

No new taxes of importance were introduced by the province until the First World War. In 1916, The Patriotic Tax, later known as The Public Revenues Tax, was introduced. This was followed in 1917 by The Wild Lands Tax. In 1925 the Liquor Board, with its possibility of monopoly profits from the sale of liquor by the province, was established. In 1928 another promising source of revenue was introduced in the form of the gasoline tax. In the early nineteen-thirties taxes were first imposed on personal and corporate incomes, and licences were first collected from operators of motor vehicles. First revenues from pari-mutual taxes appeared in the fiscal year 1935-36. The Education Tax was introduced in 1937. No new type of tax has been imposed by the province in recent years. In fact, several fields have been vacated or "leased" for a fixed term to the Dominion government, making possible an equalized tax rate structure in these fields for all citizens of the contracting provinces.

2. TRENDS IN TOTAL REVENUES

Probably the most outstanding feature of a study of the revenue picture of Saskatchewan over the years is the marked increase in total receipts in the last three years. In the fiscal year 1947-48 provincial revenues increased by over \$13 million to a new high of \$52.4 million. In each of the succeeding two years a further annual increase of

more than \$3 million occurred to raise the 1949-50 total to approximately \$59 million. Much of the increase is accounted for by changes in the Dominion subsidy payable under the 1947 Dominion-Provincial Tax Agreement. Many of the more important taxes which have remained in effect in Saskatchewan have, however, reached their highest point as revenue producers in the last three fiscal years. This is particularly true of the education tax, the gasoline tax, motor vehicle fees and licences, as well as the profits of the Liquor Board.

In 1907 revenues apart from service fees amounted to approximately \$1¼ million, mainly made up of the Dominion subsidy, with an additional \$120,000 from school lands and liquor licences. By 1910 revenues had reached approximately \$1¼ million with liquor licences in excess of \$100,000 and revenues of \$50,000 or more from railways, the supplementary revenue tax and the school lands fund. For the year ended April 30, 1915, total revenues from major sources amounted to almost \$3 million, main increases being in liquor licence revenues, corporation tax revenues and school lands receipts. Motor vehicles licence fees had risen from a negligible amount in 1910 to \$65,000. With the war period an expansion of revenues occurred bringing the total for the fiscal year 1920-21 to \$10.9 million.

Between 1921 and 1929 total revenues increased from just under \$11 million to \$17 million. The increases in the late nineteen-twenties were due largely to Liquor Board profits, commencing in 1925-26, and the new gasoline tax of 1928-29. The Dominion subsidy varied only slightly over the period. In fact, the only significant changes in the older revenue sources during the nineteen-twenties were the sharp increase in revenue from fees and licences for motor vehicles, which more than doubled, and the increased yield of the railway tax.

Between 1929 and 1932 revenues declined by almost one-third, to approximately \$12 million. Through the later nineteen-thirties, however, revenues recovered and, with the imposition of two new taxes, reached a total of \$21 million in 1938-39, the last pre-war fiscal year. In 1938, moreover, the Dominion subsidy was more than doubled by the introduction of a special needs grant.

In the nineteen-forties provincial revenues showed a series of spectacular increases. In

¹ The first fiscal year actually covered a period of 14 months ended February 28, 1907.

1939-40 and 1940-41 the Dominion subsidy was lower than previously, but most other revenues and particularly gasoline tax revenues increased. Between 1940-41 and 1942-43 Dominion subsidies more than doubled in compensation for the suspension of personal and corporate income taxes and corporation taxes under the Dominion-Provincial Tax Agreement of 1942. Minor increases showed up in revenue fields affected by the new wartime prosperity including increases in education tax revenues and liquor profits. The prosperity of the later war and the post-war years coupled with improvements in the supply position, brought further sharp increases in these two sources as well as in the proceeds of the gasoline tax. Dominion subsidies did not change appreciably again until 1947-48.

Saskatchewan's revenues have reached their current high level coincidentally with

the most favourable economic conditions in the history of the province. With any substantial decline in farm prices it is difficult to see how anything like current revenues could be maintained unless the subsidies paid by the Dominion were expanded to take care of lower revenues from other sources.

Table I presents the main provincial revenues for each of the thirty fiscal years from 1920-21 to 1949-50 inclusive. The sources included were selected on the basis of excluding fees charged by service departments of government, interest income, repayment of loans and the income of the Department of Natural Resources. The Table also sets out figures for total revenues as given in provincial public accounts with adjustments made to include all liquor profits and to exclude the Dominion contribution to old age pensions.

TABLE
MAIN SOURCES OF PROVINCIAL
(Fiscal Year Ended April 30 for years 1921
(Thousands

	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932
Dominion Subsidies												
(a) Basic	1,753	1,753	1,775	1,901	1,945	1,851	2,033	2,013	2,048	2,063	1,938	2,113
(b) Special												
(c) Tax Agreement												
School Lands	1,336	1,203	993	1,060	1,029	985	1,261	1,139	1,068	1,200	1,197	830
Public Revenues Tax	1,770	1,819	2,101	2,242	2,350	2,449	2,394	1,971	1,787	1,727	1,254	1,021
Education Tax												
Gasoline Tax and Licences									1,300	932	1,919	1,211
Motor Vehicle Licences	946	791	1,003	1,342	1,297	1,718	1,510	2,260	2,434	2,018	1,887	1,031
Operators Licences												36
Succession Duties	324	300	276	484	283	333	290	367	405	463	318	199
Corporations Tax	417	464	507	465	515	488	516	508	556	582	583	521
Railway Tax	107	130	271	200	207	349	349	349	484	404	404	404
Personal Income Tax												
Corporation Income Tax												
Wild Lands Tax	731	682	728	716	708	664	492	580	399	212	174	133
Supplementary Revenue Tax	493	595	468	47	34	30	20	21	25	10	2	1
Liquor Profits	445	420	75			1,708	1,903	2,280	3,030	2,398	1,516	843
Totals¹	7,948	7,684	7,727	8,451	8,377	10,503	10,768	11,219	13,456	12,085	11,192	8,343
Budget Totals^{1*}	10,858	11,043	11,948	11,970	11,851	13,836	13,292	14,529	17,013	15,371	14,407	12,117

¹ The individual revenues shown here comprise approximately 80 per cent of the total provincial current revenue. Revenues excluded are those which represent fees and other charges for departmental services and other minor revenues. Interest income on loans made by government agencies, boards, and other debtors are also excluded together with loan repayments.

² Includes \$496,023 on account of loss on gasoline tax.

³ Includes \$125,762 on account of loss on gasoline tax.

⁴ Includes \$10,952 on account of loss on gasoline tax.

⁵ Income taxes (corporation and personal). The Corporations Taxation Act and The Railway Taxation Act were suspended under the 1942 Dominion-Provincial Tax Agreement collections shown after that date represent collection of arrears accruing to province.

3. RELATIVE IMPORTANCE OF REVENUE SOURCES

Four sources provide 75 per cent. of all provincial revenues at the present time and have done so since the end of the Second World War. These sources are, in order of importance, (1) Dominion grants including the basic subsidy and payments made in lieu of taxes under the Dominion-Provincial Tax Agreement; (2) gasoline taxes and motor licence fees, (3) liquor profits, and (4) the education tax. For the fiscal year 1949-50 Dominion subsidies amounted, in round numbers, to \$17 million; gasoline taxes and motor and operators' licences, \$11.1 million; liquor profits \$8.5 million; and the education tax, \$7.5 million. Thus Dominion subsidies provided 29 per cent. of provincial revenues; gasoline taxes and motor and operators' licences,

18.9 per cent.; liquor profits, 14.4 per cent.; and the education tax, 12.7 per cent. of the total.

Table II indicates the relative importance of the various sources of provincial revenues at five year intervals since 1920.

4. THE FOUR MAJOR SOURCES OF REVENUE

(a) Dominion Subsidies and Tax Agreement Payments

The basic Dominion subsidy paid to Saskatchewan dates back to the formation of the province in 1905. All of the provinces receive subsidies along the same general lines although special and additional payments have been made from time to time. The component parts of the subsidy and amounts covering the first

REVENUES, 1920-21 TO 1949-50¹

to 1946, and March 31 for years 1947 to 1950)
of Dollars)

1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947 (est. mos.)	1948	1949	1950 (Estimated)
2 113	2 129	2,145	2,145	2 120	2,120	2,126	2,132	2 132	2,132	2,052	2,092	2,029	2,050	2,034	2,052	2,042	2,048
					1,500	3,500	1,500	1 500									
985	985	1,053	1,171	1,022	743	844	1,132	1,030	2,887	5,699	6,297	5,36	6,420	5,848	13,391	14,070	15,000
1 390	1,484	1,502	1,668	1 728	9 99	1,355	2 55	1,009	1 787	2,052	3,215	3,09	2 158	1 975	2,080	2,176	1 700
1 397	1 421	1,499	1,750	2,149	1 292	2 342	2,716	3,184	3,896	1,748	4,228	4,825	5,592	5,433	6,190	6,820	7 500
1 568	1 514	1,328	1,481	1,820	1 509	1,943	3,002	3 325	1 715	2,915	5,285	3,397	4,404	4,736	6,412	6,642	7,700
61	57	56	68	72	72	83	146	179	244	117	254	187	128	186	242	237	230
177	149	223	334	311	249	360	373	289	346	466	481	501	645	668	509	121	30
752	705	588	615	571	519	495	735	498	222	2							
332	251	216	255	299	353	322	375	476	344	65	13	4	3		1		
72	121	81	169	252	281	337	353	701	962	28	50		13	7		44	
112	50	43	77	12	6	4	5	4	5	5	8	10	14	13	6	2	2
1,065	919	1,028	1 279	1,451	1,246	1,290	1,455	1,740	2,406	2,084	3,336	3,770	6,605	8,104	8,171	8,301	8,500
10,424	10,150	10,220	11,346	12,198	15,279	17,042	18,479	18,856	22,488	22 551	27,493	27 342	31,119	31,720	43,219	44,945	47,230
14,621	14,253	14,091	15,721	16,526	19,110	20,957	22,967	23,704	27,765	28,131	35,161	34,713	38,610	39 427	52,438	55,620	58,830

¹ Actual receipts from the railway tax received annually differed from those shown. Part of the 1932 payment was deferred to 1933 the 1935 payment was not received until 1936. These revenues have been assigned to the years for which they were levied.

² The Wild Lands Tax was repealed in 1936.

³ The Supplementary Revenue Tax was repealed in 1920.

⁴ Represents Liquor Excise Tax prior to operation of Liquor Board.

⁵ As shown in Public Accounts but adjusted to include all liquor profits, and to exclude the Dominion's and other provinces' share of old age and blind pension grants.

Source: Public Accounts, Province of Saskatchewan.

TABLE II

MAIN SOURCES OF PROVINCIAL REVENUES AS PERCENTAGES OF TOTAL PROVINCIAL REVENUES FOR SELECTED FISCAL YEARS, 1920-21 TO 1949-50.

(Fiscal Years ended April 30 or March 31)

	1921	1926	1931	1936	1941	1946	1950
							(Estimated)
<i>Dominion Subsidies</i>							
(a) Basic	16.1	13.4	13.4	13.6	9.0	5.3	3.5
(b) Special					6.3		
(c) Tax Agreement ..				....		16.6	25.5
<i>Total Subsidies</i>	16.1	13.4	13.4	13.6	15.3	21.9	29.0
School Lands	12.3	7.1	8.3	7.4	4.3	3.4	2.2
Public Revenues Tax ..	16.4	17.7	8.6	10.6	6.8	5.6	2.9
Education Tax					13.4	14.5	12.7
Gasoline Tax and Licences			13.2	11.1	14.0	11.4	13.1
Motor Licence Fees ..	8.7	12.4	13.0	9.4	7.6	4.6	5.4
Operators' Licences ..				4	8	3	4
Succession Duties	3.0	2.4	2.2	2.1	1.2	1.7	.1
Corporations Tax	3.8	3.5	4.0	3.9	2.1	...	..
Railway Tax	1.0	2.5	2.8	2.6	1.7		
Personal Income Tax ..				1.6	2.0		..
Corporation Income Tax				1.0	3.0		..
Wild Lands Tax	6.9	4.4	1.2		2		
Supplementary Revenue Tax	4.5	.1	..				..
Liquor Board Profits ..	4	12.3	10.5	8.1	7.3	17.1	14.4
Miscellaneous	26.9	24.2	22.8	28.0	20.5	19.5	19.8
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note. Calculations are based largely on data in Table I. Miscellaneous item includes chiefly fees of service departments, repayments of loans, interest income and revenues of the Department of Natural Resources. Total represents provincial revenues including miscellaneous items and all liquor profits, excluding Dominion and other provinces' contributions to old age pensions.

full twelve-month period after the founding of the province were as follows:¹

Government and Legislation \$	50,000
Population	200,000
Debt Allowances	405,875
In lieu of Lands	875,000
Building Allowance (special)	93,750

\$ 1,124,125

The government and legislation grant is calculated on the basis of population but on a sliding scale, ranging from \$100,000 for a population under 150,000, to \$240,000 for a population over 1,500,000. The province has

received \$220,000 annually in this respect since 1925.²

The grant for population is calculated at the rate of 80 cents per capita, and is adjustable yearly on the basis of population trends. On a population of 861,000 as estimated for 1949 this grant would yield approximately \$690,000.³

The debt allowance was made to compensate the provinces for their net debt position at the time of creation of provincial status with a view to establishing a degree of equity as between all provinces. On the basis of a per capita net debt figure of \$25, provinces which had a total net debt of less than this amount received five per cent. annually on the difference. In 1905 Saskatchewan's debt allowance was calculated on the basis of \$32.43 per capita and the total upon which the five per cent. was

¹ See *The Saskatchewan Act, Statutes of Canada, 1905, c. 42, sections 18-19-20.*

² See *British North America Act, 1907, section I.*

³ *Ibid.*

allowed was set permanently at \$8,107,500. The province thus receives \$405,375 annually under this head.

The allowance in lieu of lands sought to compensate the province for lands which were declared by the Dominion to be public lands and were retained under federal control. Saskatchewan received \$375,000 under the population of 1905 but this has increased to \$750,000 annually, under the terms of the Act, as the population of the province has increased.^{*}

Return of the unappropriated public lands to the province took place in 1930 but the subsidy allowance was continued and a final adjustment, in the form of a capital payment with interest on the lands which were held until 1930, was made in 1947.

During the latter part of the agricultural depression, in 1938 and 1939, special subsidies of \$3.5 million were granted in each of these years. For 1940 this special subsidy was reduced to \$1.5 million. For the fiscal year 1941-42 and in succeeding years the subsidy was increased by payments in compensation for provincial withdrawal from certain tax fields under the Dominion Provincial War-time Taxation Agreement. The basic Dominion subsidy arrangements remained undisturbed. The new payments made by the Dominion represented compensation for taxes, the levy and collection of which were relinquished by this province to the Dominion. The final agreement with the Dominion took place in 1947 covering the income tax (personal and corporation) and succession duty tax fields. Payments in lieu of taxes for the fiscal years 1947-48 and 1948-49 amounted to \$13,390,535 and \$14,070,000 respectively and were estimated at \$15 million for the fiscal year 1949-50.

(b) Provincial Experience with Various Taxes Prior to Transfer to Dominion

Four tax fields which were formerly major sources of provincial revenue have been transferred to the Dominion government. These include the railway tax, the corporations tax and the income tax, relinquished in 1940-41, and succession duties transferred at the time of the Dominion-Provincial Agreement of 1947.

The Railway Taxation Act was passed in 1908. It provided that every railway company owning or operating lines within Saskatchewan should pay a proportion of the gross earnings

not exceeding three per cent. where the railway or branch was in existence seven years, or one and one-half per cent. for railways or branches operating for five years but less than seven years. Some modification of this plan occurred where railways had been aided under statutory authority by guarantees of bonds, debentures or similar securities.

If the railways failed to file a statement of gross earnings the Provincial Secretary was empowered to fix the amount with due regard to reasonableness. Actually no statements were ever filed and the revenue received from the railways was fixed annually or for several years at a time by agreement between the Provincial Secretary and the railways.

While this tax was not inappropriate in view of the value of provincial government services to the railways, which are among the largest corporations active in the province, yet it was difficult to come to a satisfactory arrangement with them. The railways claimed that they could not accurately allocate earnings within any particular area. Furthermore, the legal question of power to tax was a difficult problem. At all events for the last eight years of its existence the amount of the tax was not altered although economic conditions changed continually during this period.

The Corporations Taxation Act came into effect in April, 1907. This tax was applicable to all companies or corporations either registered under The Companies Act or transacting business in Saskatchewan. The basis of taxation was not uniform but was usually related to authorized capital, total volume of business or gross earnings of different groups of corporations in the province. A variety of rates applied, some of which were flat and some graduated.

While this tax was relatively elastic and the revenue obtained of necessity fluctuated directly with business conditions, yet it presented certain difficulties in establishing an equitable basis among different types of corporations and thus presented difficulties of administration. In view of the predominantly agricultural nature of the Saskatchewan economy revenue obtained from this source never reached major proportions.

The Income Tax Act was passed in 1932 at a time when provincial revenues were falling and many expenditures, particularly for relief, were rising sharply. Originally the incomes assessed were those in excess of \$750 per annum for single persons, and \$1,500 for married persons

^{*} See *The Saskatchewan Act, Statutes of Canada, 1905, c. 42, section 20.*

or for single persons with dependents. Some slight changes were made in the schedules in 1934. The rate was at first one per cent. on the first \$500 of income over and above the statutory exemption with a graduated scale on higher incomes. A surtax of five dollars was added to all taxes payable. This was changed in 1934 and the minimum rate was increased to two per cent. with various adjustments in the scale. Incomes of corporations and joint stock companies were also taxed, with allowances for amounts paid under The Corporations Taxation Act.

By the time the province suspended its levy of income taxes by agreement with the Dominion government these three sources of taxation had become important revenue producers. In 1941-42 revenue from income tax on corporations reached \$962,000 as compared with personal income tax revenue of \$344,000 (Income tax collections shown in Table I for the years following 1941-42 represent payments of arrears).

The income tax field is one of the most satisfactory fields for taxation since income levels and changes therein reflect, probably better than any other index, both the general prosperity of the country and the ability of the individual to pay. It is not, however, particularly satisfactory to have income taxes collected by both Dominion and provincial governments. Moreover, through the Dominion control of income taxes some measure of equity of taxation between people in different parts of Canada can be achieved.

Succession duties had been collected by the Saskatchewan government almost from the inception of the province. This tax was based on the "dutiable value" or the aggregate or fair market value of the property transmitted less certain deductions. The rate structure was quite involved increasing progressively as the value of the property increased, and taking account of the number of persons among whom the estate was divided, the relationship of beneficiaries and the domicile of either deceased or beneficiaries. Small estates were exempt from taxation.

Succession duties never constituted a major source of revenue for the province, the highest receipts being in the year 1946-47 when a total revenue of \$667,610 was realized. Since there was a minimum below which no tax was levied and since the tax was graduated where applicable, higher revenues were collected in periods of good economic conditions when dollar values of property were high. Succession duties were easily collected, possessing something of the

quality of an income tax, but applicable to what actually was "unearned income."

(c) Gasoline Taxes and Licence Fees

The gasoline tax is one of the more recently adopted methods of obtaining revenue in the province. This tax was first introduced in 1928, at a time when demand was increasing sharply for better highways and roads, and when revenues were inadequate to finance the desired expansion.

This tax is a purchase tax of a certain number of cents per gallon of gasoline. The initial rate of three cents per gallon was raised in 1930 to five cents, in 1932 to six cents, in 1935 to seven cents, in 1945 to eight cents and in 1948 (after repeal of the Dominion tax of three cents) to ten cents per gallon. The regulations provide that the tax does not apply to gasoline used for purposes other than for motor vehicles on highways. Specifically, all gasoline used in farming operations is exempt.

This tax was a major revenue producer from the time of its inception and continued to be throughout the depression. Revenue from this source tended to rise in the late nineteen-thirties so that in the years 1939-40 and 1940-41 it was the second highest revenue producer in the province. Since 1941 revenue from the gasoline tax has doubled.

Under the Dominion-Provincial Agreement entered into in 1941-42, revenues from gasoline tax collections were guaranteed by the Dominion at a figure representing a minimum equal to the 1940-41 collections. It should be noted that some payments were made by the Dominion government in this respect, and are included in the Dominion subsidies set out in Table I.

As taxes go the gasoline tax is a reasonably popular tax. Its relation to benefits received is recognized and its impact upon the taxpayer is minimized by the form of collection. It comes to be considered a minor part of the cost of gasoline and as such can be altered more readily than could a direct fee collected all at one time. It is also a particularly flexible tax since it is collected in direct relation to the amount of travel on the highways. For this reason, when fluctuations in provincial income occur, revenues respond rapidly and directly. This is indicated by the experience of the nineteen-thirties. Revenues initially fell off sharply but an attempt was made to maintain them by increases in the rate. It required a tax of six cents per gallon in 1933 to produce the same amount yielded by a three cent tax in 1929. Despite a further rate increase in 1935

revenues had not recovered to the highest previous level until 1937.

Since 1935 the gasoline tax has exceeded motor vehicle fees and licences as a source of revenue and now yields fully twice the proceeds of the latter. It is now one of the most important sources of revenue for the province, providing an estimated \$7.7 million or 13.1 per cent. of total provincial revenues in 1949-50.

Licence fees for motor vehicles constitute one of the sources of revenue dating back to the first full year of provincial history although for that year such fees amounted to only \$220. In the earlier years this revenue was relatively insignificant and for the last year prior to the First World War amounted to less than \$50,000. With the greatly expanded use of motor vehicles during the war this source of revenue made its greatest relative growth. Throughout the nineteen-twenties the growth of this revenue continued intermittently, but fell steadily for a period of years after 1929. In 1929 the number of passenger vehicles registered reached 108,630. By 1933 the number had fallen to 69,540. Truck registrations over the same period fell from 18,671 to 14,847. The sharp decline in licence revenues during the early years of the depression is noteworthy. Receipts in 1932 were half the amount which had been collected two years before.

Motor licence revenues increased in the late nineteen-thirties and in the early war years. Restrictions in the later war years and a short supply of vehicles in relation to demand immediately following the war were mainly responsible for low revenues in those years. Revenues from this source have been at their highest level over the past three years at approximately \$3 million annually.

Licences are required in Saskatchewan for private vehicles, trucks and trailers. Annual fees are charged to dealers, chauffeurs and ordinary operators of private vehicles. In addition to these fees, collected under The Vehicles Act, additional fees are collected for trucks and buses under The Public Service Vehicles Act which is administered by the Highway Traffic Board.

In a province like Saskatchewan, revenues from licences and fees for vehicles are bound to fluctuate in periods of unusual economic conditions such as those experienced over the past 20 years. While they are directly related to the level of economic activity, these revenues do not, however, respond as quickly to income fluctuations as, for example, do those from

the gasoline tax. Ability to operate ordinary vehicles at all requires the same licence as ability to operate extensively. Furthermore, it is difficult to adjust licences and fees on any year-to-year basis as the public expects comparative stability in this type of tax.

The combined total revenues from gasoline taxes, motor licences and operators' licences amounted to an estimated \$11.1 million for the fiscal year 1949-50, or 18.9 per cent. of total provincial revenues.

(d) Liquor Board Profits

Fees and licences in connection with liquor sales date from the first year of the province in which year a total of almost \$67,000 was received from hotel licences, wholesale licences, railway car licences and various other small sources. Revenue from this source was quite substantial in the early years of the province and particularly in the early stage of the First World War. With the coming of prohibition, profits accruing from the sale of liquor were very slight and little revenue was obtained until 1926 following organization of the Saskatchewan Liquor Board pursuant to the amendment of The Liquor Act in February, 1925. The government now has a liquor monopoly in the province with sole power to import liquor into Saskatchewan and to sell or control the sale thereof.

Immediately after 1925 profits from liquor sales became one of the major sources of revenue, even though in the first few years ten per cent. of net profits was used to build up a reserve. Profits from liquor sales were in excess of \$3 million in 1928-29, but between 1930 and 1940 were only about one half of that amount annually. After 1941 revenues from liquor sales increased rapidly and with the increased post-war supply to meet the high level of demand, together with relatively fixed overhead charges of operation, Liquor Board profits have become the second highest source of revenue to the province being exceeded only by the Dominion subsidy. If revenues from the gasoline tax and motor licences are grouped together, as is done in this analysis, liquor profits constitute the third largest source of provincial revenues.

The tax on liquor (for the monopoly price of the Board is, of course, essentially a tax) is easily collected for it constitutes a part of the cost of each individual purchase. It also commends itself as a luxury tax as well as possessing a definite sumptuary feature. Undoubtedly the tax provides one of the most flexible sources of revenue available to the province and

probably responds more closely than any other to current economic conditions. It is thus a rather unstable revenue source. It should be noted that in 1932 liquor profits had fallen to less than one third of the 1929 level and did not recover to that pre-depression level until 1943 when incomes were again rising.

(e) Education Tax

The education tax, actually a retail sales tax, came into operation in August, 1937. The Act imposed a levy of two per cent. on all retail sales, excluding certain basic farm products (butter, eggs, sugar, bread and fresh meats) and also farm machinery and parts. The Act specifically stated that proceeds of collections were to be used for educational expenditures; hence the title, The Education Tax, was used.

Revenue from this source amounted to approximately \$1¼ million during the first nine months of its operation and mounted steadily in succeeding years, directly reflecting the increased buying activity and price rise of the war and post-war period.

The regressiveness of this tax as provided under the original Act was readily apparent since the exemptions did not, in the main, relieve the purchaser of bare necessities from paying the tax. In the face of constant pressure from various groups and in an attempt to ease the regressiveness of the tax an amendment to the Act was made in 1947. Exemptions were widened to include purchases of all foodstuffs and drugs. The increased exemptions were reflected in collections, which did not increase significantly in the year 1947-48, at least not in proportion to the increase in buying activity.

The education tax, in spite of the exemptions for some of the basic necessities, cannot be classified as a tax solely on semi-luxury and luxury goods. Revenues will reflect price changes and buying activity to a large extent, but its imposition upon a wide range of goods which are necessities will nevertheless offset part of the decrease in revenues which could be expected should buying activity decline.

Revenue from this tax represented 12.7 per cent. of total current revenues in 1949-50 and was the second highest single producer of tax revenue in that year. Collections in that year reached a peak of approximately \$7.5 million.

In the 1950 session of the Saskatchewan Legislature The Education Tax was changed to The Education and Hospitalization Tax and its rate was increased by 50 per cent., that is,

from two to three per cent. of the value of each non-exempt retail sale. Minor changes were made by way of extending the list of exemptions to include, for example, garden seeds, grasshopper bait and school textbooks.

5. THE PUBLIC REVENUES TAX AND OTHER PROVINCIAL LAND TAXES

This tax remains as the only provincial government tax upon real property and is presently imposed at the rate of two mills on the assessed value of all real property and business assessments. The tax was first introduced in 1916 as The Patriotic Tax under The Patriotic Revenues Act. The rate was originally one mill per dollar of assessed value. The tax was first levied to meet war-time conditions and substantial grants were made to the Red Cross from its proceeds. By 1918 the rate had been increased to two mills, and its present name was introduced. In 1927 the rate was decreased to one and one half mills, but was restored again to two mills in 1932. Peak collections were reached in the year 1943-44 when some \$3¼ million were paid into the provincial treasury. The reason for the apparent fluctuation in revenues from this source is that the provincial accounts show actual collections realized as revenues, so that substantial arrears from poor crop years were included in the figures for 1943-44 and subsequent years. It is assumed that a normal figure for collections of this tax would be approximately \$1¼ million.

The actual levy of this tax depends upon the total equalized assessment of the province as determined by the Saskatchewan Assessment Commission. The Commission has recently completed the assessment of business and real estate in the province except for the cities of Moose Jaw, Saskatoon and Regina, and the figures arrived at by the Commission represent the equalized assessment upon which this tax is based. The total assessment figure does not fluctuate with business activity but is based upon a presumably normal period. It is, however, affected by increased building activity which means added assessment.

Two other sources of land tax revenue which were large revenue producers at one time and which are no longer in force are the supplementary revenue tax and the wild lands tax, the former introduced in 1907 and abolished in 1920, the latter introduced in 1917 and abolished in 1936. The supplementary revenue tax of 1907 was passed to raise additional revenue for the purpose of increasing

school grants. It was imposed at a flat rate per acre. Increased rates were imposed on land which was not contained in a school district and was, therefore, not contributing to regular school costs through local school tax levies. This tax was cancelled in 1920 as a tax reduction measure in the face of a budgeted provincial surplus. It was also pointed out at that time that, since the revenues were used for school grants, this imposition on land alone was not equitable, education being more than a local financial responsibility. The wild lands tax was introduced in 1917 as a levy of one per cent. on the assessed value of land which remained undeveloped. The tax was intended to provide a means of discouraging speculation in land and encouraging the development of productive land. While this source provided much needed revenue for the province, collections amounting to \$751,000 in 1920-21, it was, nevertheless, felt desirable to abolish it and this was done in 1936.

6. THE SCHOOL LANDS FUND

Historically this source of revenue dates back to the formation of the province. Under an agreement with the Dominion government two sections of land out of every township were set aside for school purposes. This land was to be used for school sites, sold or leased as deemed advisable. Much of the land was leased or sold though no public sales have been held since 1930. The proceeds of the sales have been invested in a school lands fund. The interest earnings of the fund, together with rental revenue from the leased lands, make up the revenue which has been labelled School Lands Fund Revenues.

The revenue from this source reached a peak in the fiscal year 1944-45 when \$1.9 million was realized. Revenues from this source are predictable and should remain fairly constant at approximately one and one third million dollars, fluctuating to some extent with available investment opportunities and the effects of such opportunities on interest rates.

7. CONCLUSION

At the present time revenues of the provincial government have reached their highest level as a result of generally buoyant economic conditions and prevailing high price levels. An examination of the nature of these revenues suggests, however, a cautious estimate of the future. Although the Dominion subsidy, which makes up rather less than one third of all re-

venues, can be expected to remain fairly stable, maintenance of the remaining revenues is dependent upon a continuance of the present relative prosperity of Saskatchewan. It was noted above that during the nineteen-thirties gasoline tax receipts showed a tendency to fall off sharply. It seems likely they would have been reduced to about one half their pre-depression level had the rate not been doubled. Motor licence revenues likewise suffered a serious decline. Most striking of all was the reduction in liquor profits. Throughout the nineteen-thirties these averaged annually approximately one third of the 1929 receipts. We have as yet had no experience with the downward flexibility of the retail sales tax. Comparison of the yield in 1939 with that in recent years suggests, however, that a substantial decline would occur in this revenue too with any significant decline in agricultural income. Experience elsewhere indicates that while receipts from such a tax do decline appreciably with a fall in income and prices, this decline is rather less marked than in the case of taxes not levied on the necessities of life.

These four sources of taxation revenue make up almost one half the income of the provincial government. Their precarious nature should be evident and cannot be emphasized too strongly.

It would be unduly pessimistic to urge the likelihood of a decline in income and prices in the near future. Rather it appears that as long as the present international situation persists the Canadian economy will be subject to inflationary pressure. It should be realized, though, that Saskatchewan does not necessarily share directly and automatically in the nation's prosperity. The income of Saskatchewan depends almost entirely on the volume, grade and price of the wheat crop and is extremely variable.

Thus the vagaries of nature and fluctuations in the world market for wheat are the crucial determinants of our prosperity. It is apparent from past experience that confident prediction of these determinants can never be made, and that the possibility of unforeseen and adverse contingencies should always be borne in mind. It is for this reason that your Committee feels called upon to emphasize the precarious nature of the provincial government's present revenues and to suggest the wisdom of a conservative appraisal of the financial position of the province.

TABLE
MAIN PROVINCIAL EXPENDITURES
(Fiscal) Years Ended April 30, for years 1921
(Thousands)

	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932
General Government	995	1,324	1,126	1,036	1,024	1,183	1,055	1,089	1,143	1,462	1,429	1,121
Public Debt Charges												
Sinking Fund Contributions	187	62	53	85	125	35	251	331	612	160	28	28
Interest Charges & Service Costs	2,103	2,125	2,555	2,827	2,994	2,801	2,810	2,864	2,902	3,268	3,791	5,322
	2,290	2,185	2,597	2,912	3,119	2,836	3,061	3,193	3,514	3,428	3,819	5,350
Highways												
Provincial Highways	\$19	1,282	997	1,612	1,049	988	1,091	1,105	2,712	2,419	1,430	919
Road Grants & Local Road Assistance	309	297	228	165	93	119	103	96	106	127	720	98
	1,128	1,579	1,225	1,778	1,142	1,107	1,194	1,201	2,818	2,546	2,150	1,017
Education												
Administration & Supervision	553	597	590	586	545	585	606	624	636	727	872	794
Grants—Public, High & Vocational	1,401	1,786	2,033	1,917	1,938	2,394	2,146	2,349	2,571	2,559	2,816	3,069
University	525	453	506	517	537	609	537	615	640	661	674	593
	2,479	2,836	3,129	3,020	3,040	3,788	3,339	3,788	3,787	3,977	4,312	4,426
Health												
Administration & General Expense*	216	227	225	241	209	241	243	252	250	283	376	259
Tuberculosis	120	111	92	96	96	154	187	169	178	214	281	293
Mental Care	540	636	768	599	638	664	701	672	754	852	916	821
Hospital & Medical Care grants†	715	223	219	212	216	234	268	390	351	376	353	326
Hospital Services Plan‡												
	1,091	1,197	1,308	1,142	1,143	1,203	1,399	1,412	1,533	1,825	1,876	1,699
Social Welfare												
Administration & General Welfare	294	343	392	388	336	304	435	368	427	513	482	400
Old Age & Blind Pensions§	103	158	194	219	253	301	312	356	398	499	525	502
Mothers' Allowances	116	81	29	28	15	17	12	15	16	75	1,170	13,578
Social Aid¶	515	582	615	635	618	712	769	739	1,120	1,575	2,708	15,164
Agriculture	408	561	388	304	354	346	348	396	450	645	574	445
Totals	8,904	10,267	10,388	10,347	10,416	11,265	11,163	11,820	14,368	15,295	16,858	29,222
Budget Totals‡‡	11,335	12,621	12,906	11,984	12,017	12,762	12,465	12,923	15,363	17,080	18,203	17,723

* The expenditures shown here comprise 80% to 90% of total normal expenditures on current account. They relate to the most important activities of the provincial government both from the standpoint of total cost and from that of relations with municipalities. While no capital expenditures have been shown (except where noted) large expenditures on "Relief Accounts" for social and during the nineteen-thirties have been included. "Budget Totals", i.e. total current expenditures as listed in Public Accounts are given for comparison.

† Adjustment made to include any excess amount of accounts payable.

‡ Pension contribution by treasury to adjust Teachers' Pension Fund not included (\$283,000).

§ Includes construction grants (net) for technical education from current revenue made as follows: 1932, \$120,000; 1931, \$244,000; 1930, \$35,000.

¶ Includes building and equipment grants (net of Dominion contribution) made through capital account.

‡ Includes construction expenditure of \$44,000.

§ Does not include payment of \$500,000 to cover university operating deficit.

¶ Includes expenditures of cancer research clinic, regional health services administration and costs of Hospital Services Planning Commission administration.

‡‡ Includes a building expenditure of \$219,000 re Saskatoon Sanatorium.

1920-21 TO 1949-50¹

to 1946, and March 31 for years 1947 to 1950).

(of Dollars)

1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950
1,081	1,093	1,391	1,233	1,240	1,357	1,657	1,622	1,722	1,645	1,692	1,697	2,112	1,837	(11 months) 2,123	2,295	3,050	(Estimated) 3,150
170	153	180	268	358	20	57	673	43	980	358	958	2,692	371	3,146	1,716	1,391	845
6,443	7,057	7,571	7,852	8,228	7,718	8,155	8,406	7,085	6,933	7,115	7,284	6,366	6,580	5,381	6,181	6,581	6,402
6,619	7,210	7,796	8,120	8,586	7,741	8,212	9,479	7,128	7,921	7,473	8,242	9,260	6,951	8,527	7,901	7,972	7,347
601	736	757	905	882	1,158	1,188	1,194	1,584	1,730	1,918	2,605	3,010	3,476	3,930	4,694	4,821	5,817
24	61	80	92	79	167	326	140	119	116	216	247	265	432	534	748	821	855
685	797	845	997	961	1,325	1,514	1,342	1,703	1,846	2,134	2,852	3,295	3,908	4,466	7,642	7,163	6,672
570	473	641	543	581	625	673	705	726	825	789	819	843	1,228	1,224	1,430	1,505	1,649
1,843	1,588	1,618	2,177	1,845	2,163	2,501	2,420	2,644	2,747	2,648	2,766	3,167	3,690	4,003	4,520	4,304	4,033
513	397	490	427	455	465	497	521	582	535	580	550	554	469	595	650	715	899
2,926	2,458	2,679	3,147	2,981	3,253	3,673	3,547	3,952	4,107	3,987	4,133	4,566	5,587	5,777	7,430	8,526	8,581
211	210	210	246	301	321	319	363	314	330	332	416	552	986	1,563	1,771	1,607	1,487
284	285	284	277	283	274	287	297	288	292	293	296	306	334	305	293	289	290
712	803	872	888	1,069	1,217	1,352	1,420	1,736	1,810	1,598	1,611	1,758	2,495	2,468	3,433	3,787	3,035
381	319	363	383	415	449	456	422	430	441	447	487	532	644	898	1,113	1,174	1,451
														1,000	2,590	1,300	2,430
1,588	1,623	1,749	1,794	2,064	2,261	2,414	2,501	2,768	2,873	2,667	2,810	3,348	4,479	6,454	9,112	8,157	9,593
334	410	298	306	352	376	409	427	445	441	408	431	584	894	1,075	1,768	1,943	1,906
908	525	562	610	674	733	777	810	868	886	914	1,147	1,303	1,763	1,723	1,795	2,188	2,721
403	417	453	475	483	498	496	499	485	455	510	514	645	859	884	1,026	1,069	1,063
3,823	8,961	10,912	7,611	14,708	16,801	16,974	6,905	3,647	1,609	832	691	815	1,416	1,807	2,185	2,321	2,188
5,068	10,216	12,227	9,022	16,217	18,408	17,736	8,331	5,442	3,442	2,664	2,785	3,347	4,933	5,489	6,685	8,121	7,988
287	285	251	224	240	309	530	571	406	381	431	494	544	570	701	1,027	1,482	1,680
18,254	23,682	26,993	24,517	32,211	34,694	35,756	27,693	24,121	22,215	21,048	23,915	26,472	28,265	33,515	42,092	44,671	44,928
15,414	15,647	16,390	17,055	17,655	18,307	21,342	23,612	25,710	26,095	24,600	27,358	28,992	35,760	36,202	47,789	50,165	52,059

¹⁰ Includes construction expenditure of \$74,000.¹¹ Hospital grants were discontinued in 1947 with the inauguration of the Hospital Services Plan. In lieu of the grants the rates allowed for hospitalized patients were increased to incorporate the grants. The figures thus shown for 1947-48-49 and '50 are estimates obtained from the Annual Reports of the Saskatchewan Hospital Services Planning Commission. It should be noted that medical care grants are also included under this heading as well as some direct hospital grants not covered by statute.¹² An additional sum of \$2,837,000 reported in the Health Services Planning Report as owing by the provincial government toward the plan as at March 31, 1950 is not included. This represents an accumulated deficit 1947-50.¹³ Net of reimbursements from the Dominion government and other provinces. Administration costs are included. Certain net payments have been made to account for Dominion contributions owing at year end.¹⁴ This category includes medical care of dentists, blind and old age pensioners, and also general aid to the needy, e.g., direct relief at gross cost and including federal share during the nineteen-thirties.¹⁵ Net of Dominions and other provinces' share of old age and blind pensions.¹⁶ NOTE. Cost of living bonus expenditures were not allocated to departments for the period 1943-47 inclusive in Public Accounts, and these have been excluded from this statement. The expenditure was distributed to departments, however, in Public Accounts for the subsequent years and will therefore be reflected in departmental expenditures. Cost of living bonuses not distributed were as follows: 1943, \$304,000; 1944, \$332,000; 1945, \$383,000; 1946, \$183,000; 1947, \$373,000.

Source: Public Accounts, Province of Saskatchewan.

B. EXPENDITURES

1. GENERAL TRENDS IN PROVINCIAL EXPENDITURES

Current expenditures in all classes of services have reached an all time high during recent years with revenues also at record levels. Total current income spent in the fiscal year 1920-21 amounted to approximately \$11.3 million while during 1949-50 a sum approaching five times this amount was spent by the provincial government (See Table III). Due consideration must be given to the difference in price levels as between these two periods yet, nevertheless, the increase does indicate that senior governments are being called upon to provide substantially increased services.

Increases in provincial expenditures over the past thirty years have been far out of pro-

portion to the increases in provincial population over the same period of time. Although the maximum population of Saskatchewan was reached in 1936 at 931,000, the estimated population of the province in 1949 was 861,000 or only 18 per cent. higher than the estimated figure of 727,000 in 1920.

Generally speaking all classes of services have shown a steady increase over the past generation except for a temporary contraction in the majority of services during the nineteen-thirties when revenues were at extremely low levels. During this period, however, the decrease in other services was more than offset by the cost of providing direct relief and relief programs. The upward trend was resumed in 1939 and continued at a gradual rate during the war years. The post-war period, particularly since 1946-47, has witnessed the largest

TABLE IV

MAIN EXPENDITURES AS PERCENTAGES OF TOTAL PROVINCIAL EXPENDITURES FOR SELECTED FISCAL YEARS, 1920-21 TO 1949-50
(Fiscal years ended April 30 or March 31)

	1921	1926	1931	1936	1941	1946	1947	1948	1949	1950
							(11 months)			(estimated)
General Government	8.7	9.3	7.9	7.2	7.3	5.1	5.9	4.8	6.1	6.1
Debt Charges	20.0	22.2	21.0	47.6	30.1	19.4	23.5	10.5	15.3	13.9
Highways	9.9	8.7	11.8	5.8	7.2	10.9	12.3	16.0	14.6	12.8
Education	21.2	29.7	23.7	18.4	16.7	15.6	15.9	15.6	16.9	16.5
Health	9.5	10.1	10.3	10.5	1.7	12.5	17.8	19.1	16.2	18.4
Social Welfare	4.5	3.6	14.9	52.9	23.0	13.8	15.2	14.0	16.1	15.3
Agriculture	3.5	2.7	3.1	1.3	.7	1.6	1.9	2.2	3.0	3.2
Total of above items as percentage of total current revenue expenditures (Public Accounts)	77.8	85.3	92.7	143.7	97.7	73.9	92.5	88.2	88.7	85.2
Total current revenue expenditures (Public Accounts)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculations based on data in Table III

increase of any period in the history of the province. Revenues of record proportions have made possible increased expenditures on current account which were in part made necessary by curtailment of expenditures during the lean nineteen thirties and the war period when labour and materials were in short supply. Expansion of social and health services and increased grants for education have been the major factors in the increased cost of provincial government services.

General government expenses have of necessity increased along with other expenditures

indicating not only an expanded personnel to administer the increased services but the general rise in wage costs. Government employees in 1936, for example, numbered 2,790.* By 1949 the total had risen to 6,730.*

* *Report of the Commission of Inquiry into Provincial and Municipal Taxation to the Government of the Province of Saskatchewan*, (Regina, King's Printer, 1936), p. 12. This report is hereafter referred to as the *Jacoby Report*.

* Saskatchewan Legislature, *Sessional Paper*, 1950, No. 101.

2. THE FOUR MAIN SERVICE DEPARTMENTS

The four main service departments of highways, education, health and social welfare account for approximately two thirds of provincial expenditures on revenue account (See Table IV). The Department of Education has traditionally been the heavy spending department in the provincial government. This position of primacy it no longer holds. In the post-war years the departments of Health and of Social Welfare have assumed importance equal to or surpassing that of the Department of Education as claimants upon provincial funds. Provincial expenditures on highways have exceeded those on education in at least one recent year and clearly the Department of Highways now ranks among the major spending departments of the province. In the fiscal years 1947-48 and 1949-50 provincial expenditures on health services constituted the largest single group of provincial expenditures.

(a) Social Welfare

Perhaps the most significant increase in expenditures made by provincial departments has been in that of the Department of Social Welfare and Rehabilitation. Social aid, which was in large part formerly called relief, has, of course, fluctuated greatly over the years. During the depression of the nineteen-thirties the expenditure on this service reached figures which it is hoped will never again be equalled.

Total welfare costs which in 1920-21 were \$.5 million had been doubled by 1928-29 with the introduction of old age pensions and the increased number of mothers' allowances paid. Beginning in 1931, direct relief expenditures began to inflate welfare costs which in 1937-38 reached a staggering \$18 million. Other social service costs remained fairly constant throughout the nineteen-thirties with a slight increase during the latter part of the period, especially as a result of old age pensions. While relief costs declined after the peak year, 1937-38, and total social welfare costs reached a new low in 1942-43, there has been a trend upward since that year. This increase averaged approximately \$1 million per year until 1948-49. The 1949-50 figure is slightly below that of 1948-49.

An analysis of the services provided indicates that significant increases have been shown in all undertakings of the department.

The costs of general welfare services and administration have shown rather substantial increases beginning in the fiscal year 1945-46. The increases are in part a result of the increased cost of providing services already established and in part to a substantial expansion

in the activities of certain divisions of the department such as the child welfare and welfare services divisions. The cost of operating the provincial gaols has also figured prominently in the general increase.

Social aid has shown a marked increase in the post-war years. Much of this expenditure goes to meet the cost of providing medical and hospital care for indigents and pensioners. Other costs included are those of providing sustenance for indigents and provision for the rehabilitation of minority groups and others. The rise in social aid costs during the last five fiscal years is largely the result of providing medical and hospital care for a larger number of pension recipients and is not associated with any pronounced increase in relief requirements due to unemployment or crop failure.

The net cost of pensions for old age and blind pensioners which in 1929-30 (the first full year of payments of old age pensions) amounted to \$500,000, had risen to \$2.8 million in 1948-49 and declined slightly in 1949-50. The rise in these costs can be attributed both to an increase in the number of recipients and an increase in the rates of pension payments. In 1930 the number of old age pension recipients was 4,537 with the province contributing 25 per cent. of a \$20 per month pension while in 1949 the province had 15,785 recipients and the basic pension had been increased to \$40 per month (25 per cent. provided by the province) plus an additional bonus of \$2.50 per month paid entirely by the province.

Mothers' allowances paid in 1920-21 totalled \$100,000 but by 1948-49 this expenditure had risen tenfold, amounting to \$1 million. This increase is the result of a substantial increase in the number of recipients together with a series of increases in the allowance made per family. In 1921 there were 519 families receiving the allowance at an average cost of \$26.50 per family¹, while by 1949 this had increased to 2,565 families receiving an average allowance of \$35 per family.²

(b) Health Services

Health service costs including those costs of the Hospital Services Plan which are borne by

¹ *Report of the Superintendent of Neglected and Dependent Children of the Province of Saskatchewan, 1921*, (Regina, King's Printer, 1922).

² *Annual Report of the Department of Social Welfare of the Province of Saskatchewan for the Fiscal Year, 1948-49*, (Regina, King's Printer, 1950).

the provincial government amounted to more than \$9.5 million in the fiscal year ended March 31, 1950. When present health costs are compared with those incurred in the fiscal year 1920-21, which amounted to slightly over \$1 million, or in 1940-41, when they reached \$2.8 million, the rapid growth of the provincial burden for this service during the last few years can be appreciated.

Contributing to the large increase are the costs of providing funds toward the operation of the hospitalization plan. Receipts from hospitalization plan members have been insufficient to carry the scheme so that provincial funds have had to be used to augment hospital tax receipts.

Expenditures for the care of mental patients have been of increasing importance. These costs rose from \$500,000 in 1920-21 to approximately \$3.9 million in 1949-50. Expansion of facilities to care for an increasing number of patients together with higher costs of operation account for the increase.

Contributions toward the control of tuberculosis have shown no major increase for 20 years.

Administration and general expenses show relatively little increase from 1921 to 1944. During 1943-44 and 1944-45, as a result of the expansion of cancer research services, there was a slight rise. The years 1945-46 and 1946-47 saw sharp increases as the result of the introduction of health regions, further expansion of cancer research and the addition of the Health Services Planning Commission.

Hospital grants which were provided by statute have been discontinued since the inauguration of the hospitalization plan. These hospital subsidies, however, are now incorporated in the rates paid to hospitals for patients under the plan or in contributions toward hospital operating deficits. The real cost of these subsidies is, therefore, obscured by this method of payment. There is no doubt, however, that there has been a significant increase in the cost of hospital subsidies during the last four fiscal years (1946-47 to 1949-50).

(c) Education

Provincial government costs for education have risen more than threefold since 1920-21. This is actually a much lower percentage increase than that shown by expenditures on other social services and highways. Education costs constituted, nevertheless, for most of the period 1921-49, the major item of expenditure for provincial services. Direct grants to schools

make up the greater part of the department's expenditures and consequently display a certain rigidity from year to year.

Total expenditures on education by the province rose steadily from \$2.5 million in 1920-21 to \$4.4 million in 1931-32. A sharp reduction in 1932-33 as the result of a cut in grants reduced the level of educational expenditures in the succeeding fiscal year to that of 1920-21. During the succeeding years, total costs increased steadily until 1945-46 when a further substantial increase was shown. This resulted from an increase in total grants of approximately \$500,000 with the introduction of unit equalization grants and increased equipment grants. Direct expenditures of the department increased with the rising cost of providing services which had already been established and with the addition of new services such as adult education, school broadcasts and provision for payment for public school text books.

Since 1945-46 total grants paid to schools have shown yearly increases with a sharp rise for the fiscal year 1947-48. The rise was occasioned by a further increase in equalization grant allowances and also by a greater volume of building grants. School grants are now at a record level of approximately \$6 million per year. Direct expenditures of the department have shown little appreciable rise since 1945-46 except for what could be expected as a result of the general rise in the price of goods and services.

(d) Highways

Highway expenditures being of a controllable nature fluctuate more than other expenditures in accordance with anticipated changes in revenues from year to year. During the years 1929 to 1931, inclusive, substantial sums were spent by the provincial government on highways both on revenue and capital account with the introduction of a huge graveling program. However, declining revenues and depressed economic conditions caused a halt to this program and less than \$1 million per year was spent from current funds on highways for the next six years. Capital funds were used for relief works during this period to provide employment. Much of this work was done on local projects initiated by municipalities with little direct benefit to the provincial highway system. Current expenditures began to rise in 1937-38 and the rise continued, although on a moderate scale, during the war period with no substantial new construction taking place. Expenditures, although slightly higher each year, were not sufficient to provide full maintenance

of existing highways and bridges. During 1947-48 there was a sharp increase in highway expenditures on current account and the level of expenditures attained in that year was maintained in large part in the years 1948-49 and 1949-50. Capital funds have also been provided for new roads as well as for "black topping."

Table III shows the amount expended on assistance for local road improvements over the years. The amount of aid given local governments for this purpose is difficult to define precisely. Only direct expenditures of the government on local roads and bridges in all rural units and grants to the rural municipalities have been included, but these figures alone are insufficient to indicate the full extent of the increased support to local road building. The gradual extension of the provincial highway system has meant that a large mileage of roads which were a local responsibility are now maintained by the senior government. This has been reflected in the increased expenditures on provincial highways. In addition the municipal grants themselves have been significantly increased since 1945-46.

3. THE PUBLIC DEBT

Your Committee has not considered it appropriate, having regard to its terms of reference, to undertake any detailed examination of the provincial public debt. Yet, in

appraising fiscal relations between the province and the municipalities, the burden which the province must bear in terms of interest charges and provision for capital repayments cannot be overlooked. Annual public debt charges, including interest and sinking fund contributions for each of the years from 1921 to 1950 have been set out in Table III above.

The public debt of the province may be divided into two main categories (a) funded debt, and (b) treasury bills. The funded debt is comprised of long term borrowings; treasury bills are used to take care of short term financing, being issued for periods of one year or less. While treasury bills are often renewed and run for longer periods, they may be regarded as a device to meet the needs for temporary borrowing.

It should be noted that the public debt includes certain recoverable advances such as loans made by the government through various boards and agencies and that this portion of the debt may be regarded as self-liquidating. Interest charges on that portion of the debt must, however, be met at least in part, from current revenues since a part of such advances and loans are non-interest bearing.

Table V shows the public debt position for five selected fiscal years over the last generation.

TABLE V

PUBLIC DEBT OF SASKATCHEWAN FOR SELECTED FISCAL YEARS, 1920-21 TO 1949-50
(Millions of Dollars)

	1920-21	1928-29	1940-41	1948-49	1949-50
Funded Debt	\$ 42.0	\$ 58.3	\$ 126.1	\$ 142.4	\$ 130.8
Treasury Bills	3.5	4.6	90.8	48.1	40.2
Total	\$ 45.5	\$ 62.9	\$ 216.9	\$ 190.5	\$ 171.0
Sinking Fund	2.6	2.8	18.6	44.0	24.8
Net Debt	\$ 42.9	\$ 60.1	\$ 198.3	\$ 146.5	\$ 146.2
Interest Charges	2.1	2.9	7.1	6.6	6.4*
Advances Recoverable (Net)	21.7	24.6	43.9	40.0	43.5
Interest Bearing Advances	21.7	24.6	43.9	33.3	35.8

Sources: *Public Accounts, Province of Saskatchewan.*

* Estimate

During the period of rapid settlement and development from the formation of the province to 1921, the public debt of the province rose slowly. By 1921, the provincial contribution to the provision of the social capital of a modern community, i.e., public buildings, roads, telephones, educational and health facilities, had resulted in a net provincial debt of \$43 million. Despite continued expansion through the nineteen-twenties, the net public debt of the province in 1929 stood at the relatively modest figure of \$60 million.

In the next decade the public debt of the Province of Saskatchewan more than trebled. It may be conceded that the large capital expansion program of the provincial government from 1930 to 1932 under which \$50 million was spent on highways, power lines, farm loans, etc., "Under the circumstances then existing . . . can only be described as grossly extravagant." Yet the net increase in the

* *Report of the Financial Position of the Province of Saskatchewan, (Ottawa, Bank of Canada, 1937), p. 12.*

public debt in the nineteen-thirties was nearly \$140 million and of this amount a full \$100 million was clearly attributable to the urgent necessity for direct relief and agricultural aid. The revenues of the province shrank rapidly with the decline of wheat prices and soon proved inadequate to meet even the ordinary expenses of government despite drastic curtailment of educational grants and social services. The relief of unemployment in urban centres added to the strain on provincial finances and further outside borrowing on the open market became impossible as deficits accumulated. The province was, therefore, forced to borrow huge sums from the federal government in the form of treasury bills in order to finance its share of relief programs. Furthermore the province was under the necessity of financing, in very large measure, the municipalities' share of relief expenditures. Thus while the funded debt more than doubled between 1930 and 1940, commitments in the form of treasury bills increased from less than \$5 million to more than \$90 million. Interest charges to carry the public debt increased by more than \$4 million—from \$2.9 million in 1929 to \$7.1 million in 1941—but interest on the relief debt was usually capitalized by the issuance of further treasury bills.

Over the past ten years the net provincial debt has been reduced by approximately \$50 million. While the funded debt showed a moderate increase in 1949, treasury bills had been sharply reduced and the sinking fund position greatly improved. In the past year a substantial reduction in funded debt and a notable reduction in treasury bills has been made by payments from the sinking fund. The greater part of the reduction in treasury bill indebtedness since 1940 has resulted from successful negotiation with the Dominion government for the cancellation of over \$36 million on relief account and the application against outstanding treasury bills of some \$8 million received by the province from the Dominion government in settlement of natural resources claims. The later nineteen-forties reflect some expenditures deferred first because of drought and depression and then because of shortages of manpower and materials during the war years. Capital programs for roads and public works between 1946 and 1949 amounted to approximately \$10.5 million and a further \$26 million have been advanced or loaned to agencies, boards and commissions with the Saskatchewan Power Corporation receiving a large part of these advances.

At the present time approximately \$4.5 million are required annually to service interest

charges on the public debt. Substantial contributions have been made to the sinking fund from liquor profits and other current revenue in recent years, and certainly such contributions should be maintained at a high level during the current period of buoyant revenues in order to make some provision for the retirement of the funded debt. Past experience has shown that periods of depression and crop failure seriously reduce government revenues to the point where sinking fund contributions cannot be fully maintained. The record revenues of the provincial treasury in the post-war years have made it possible to reduce borrowings and to provide out of revenue account for many expenditures of a capital nature.

Repayments of advances by the Saskatchewan Wheat Pool, Saskatchewan Co-operative Creameries, the government telephone system, and the Farm Loans Board have been substantial since 1941. Increases in advances to the Saskatchewan Power Corporation and to Crown companies have, however, tended to offset these reductions so that the net reduction in advances and loans receivable has amounted to less than half a million dollars.

Your Committee wishes to call attention to the influence of relief programs on the level of the public debt of the province. An increase in the public debt is of course to be expected through the developmental stage of a new area and interest charges on such a debt may normally be expected to rise, at least in absolute terms. Saskatchewan experienced, however, a major set-back to its normal development of capital works and during a prolonged period of very low revenues was forced to divert its expenditures and undertake a vastly increased burden of debt to keep its people alive and to finance the prime costs of its major industry, without which economic survival, let alone recovery, would have been impossible. Thus the public debt of the Province of Saskatchewan reflects not only provision of the usual social capital of a modern community but social and economic aid to its citizens on a scale which may well be unique. The impact on provincial finances of the experiences of the nineteen-thirties and the lessons to be learned from that period in our history cannot and should not be overlooked in any appraisal of provincial-municipal fiscal relations.

4. CONCLUSION

The large and rapid increase in the expenditures of the Saskatchewan government has been sketched in outline above. In summary, over the thirty-year period 1921 to 1960 these expenditures have risen five-fold and are now at an all time high. Much of this increase

has been concentrated within the years since the end of the recent war. In that short time expenditures have almost doubled, increasing in absolute terms by over \$20 million. When stated baldly and in isolation this increase seems nothing short of alarming. But, of course, account must be taken of the rise in the price level which has occurred as a result of forces over which the provincial government has virtually no control and which compel it to increase expenditures merely to maintain existing services. If we discount the \$50 million expenditure of 1948-49 by the price level index for that year we find that it amounts to something like \$31 million.* To ascertain the expansion in government expenditures in real rather than money terms this figure should be compared with, say, the 1940 expenditure of about \$23 million. This suggests the expansion in governmental services has been of the order of 35 per cent. during the decade of the nineteen-forties, still a very sizeable amount.

This expansion has fully kept pace with the enlargement of revenues described in Section A. While some reduction of debt has been made possible by transfers from revenue, the provincial government has not chosen, or has not been able in view of the demands of the public for what have come to be considered essential services, to hold its expenditures much below current revenues. All but a very minor portion of those revenues are now required merely to maintain the existing level of services.

Your Committee does not wish to suggest that this policy has been inadvisable. There is no question it would have been "penny wise, pound foolish" for the government to restrict its established services as costs rose merely to amass a budgetary surplus, nor is criticism to be directed at many of the newer services which the people want and for which they have shown their willingness to pay. Nevertheless the fact must be recognized that the provincial

government's income is almost totally committed to the maintenance of a high level of services and that many of these services would be jeopardized by any serious decline in revenues. Most of these services are not amenable to easy contraction. With a fall in provincial income the government could restrict capital expenditures, such as those on highways, to some extent but very little can be done about cutting essential health, welfare, educational and general government expenditures. From past experience it would seem that any economies in these fields will be more than offset by a necessary expansion of social aid.

Despite tax agreements with the federal government and despite some reasonable basis for hope that the financial powers possessed by the federal authorities would be used to assist provincial and local governments in the face of a general decline in national income, the basic problem of public finance in Saskatchewan has not been completely solved. That problem derives from the fairly rigid burden of provincial expenditures and the fluctuating nature of provincial revenues.

Once again it should be stated that your Committee is not predicting a decline in provincial income and government revenue as a certainty in the immediate future. It wishes merely to urge the desirability in any assessment of provincial finance of keeping to the fore a clear awareness of the instability of the provincial economy. This province can hardly hope to enjoy a revenue position much better than now obtains other than that which results from the slow growth of population and production. It would be folly to count on a vastly expanded revenue from natural resources until those resources have been proven and their economic value established. Without increased taxation, therefore, it must surely be concluded that revenues are at or near their peak. Yet these peak revenues have been accompanied and equalled by peak expenditures. Virtually no surplus funds remain.

In the following chapters a detailed examination will be made of the specific services provided by the Saskatchewan government and of the aid now being given to municipalities. Attention will be given to proposals for larger expenditures direct and indirect. In considering these, this analysis of the over-all financial situation of the province must be the background against which possible new commitments are to be judged.

* These figures are intended to be no more than approximations. The price index used is that employed by the Dominion Bureau of Statistics in converting government expenditure to constant dollars on a 1935-39 base. It equalled 162.9 for the calendar year 1948, the year most closely corresponding to the fiscal year 1948-49. Cf. *National Accounts Income and Expenditure, Preliminary, 1949* (Ottawa, Dominion Bureau of Statistics, 1949), p. 18.

PART IV

Education

1. THE GENERAL PROBLEM OF EDUCATION IN SASKATCHEWAN

Physical and climatic conditions in Saskatchewan and the economy which these conditions dictate create certain problems in the provision of educational services not met with in other provinces. Saskatchewan is the outstanding Canadian wheat growing province, with a population predominantly rural and scattered over a large area. There are only a few cities and large towns in the province and its 400 villages have an average population of only about 200.

In very large measure the problem of providing educational facilities in Saskatchewan arises directly from the extremely large physical area of settlement with an extremely low density of rural population. With constantly improved methods of handling grain crops the most economic farm unit has steadily increased in size. In addition, some areas have been found incapable of supporting their original population due to recurring periods of drought. The total population of Saskatchewan declined drastically between 1931 and 1941 while at the same time there was an increase in urban, relative to rural, population. In the wheat growing sections of the province no significant change in the population trend can reasonably be expected.

Although rural homes are far apart, Saskatchewan has a relatively large school enrolment in proportion to population as indicated by Table I. The Table also explains one of the reasons for this: a very high proportion of

Saskatchewan's population is in the school attending age group, 19 and under.

The distance which young children can be expected to walk to school is limited and hence the problem of the small school looms large in Saskatchewan. It is difficult in a province predominantly rural to obtain a sufficient number of well qualified teachers willing to endure the inconveniences of rural life unless salaries are reasonably attractive.

The resources of Saskatchewan are limited and primarily agricultural. Saskatchewan cannot hope to become heavily industrialized in the foreseeable future and revenues will continue to be derived mainly from farming operations or from industries serving the needs of farmers. In provinces with large cities, equalization schemes can be more effective as city schools are more easily financed locally. In Saskatchewan per capita income is relatively low and there are only three cities with populations of over twenty thousand.

There were approximately 5,207 organized school districts in Saskatchewan as of June 30, 1949. Pupils range all the way from grades I to XII and the average enrolment is approximately 10 to 15 per teacher in rural schools with a provincial average for all schools of 18 pupils per teacher. According to an American research bulletin¹, expert opinion is unanimous that the most efficient as well as the most economical unit in ungraded schools is 25-35 pupils per teacher and in graded

¹ *The Minnesota Tax System*, State Government Research Bulletin, May, 1948, p. 25.

TABLE I

POPULATION, AGE DISTRIBUTION, AND SCHOOL ENROLMENT IN SELECTED PROVINCES, 1947

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario
Population	1,044,000	822,000	842,000	743,000	4,189,000
Population under 19 years *	309,000	316,000	342,000	268,000	1,395,000
Per cent. of total population	29.6	38.5	40.6	36.2	33.3
School enrolment	137,827	155,517	168,605	120,482	691,739
Per cent. of total population	13.2	18.9	20.0	16.2	16.5

* This is an estimate based on the proportion existing in the census years 1941 for British Columbia and Ontario and 1946 for the prairie provinces.

Sources: *Canada Year Book 1948-49 Reports*, Departments of Education, 1947-48, for the various provinces.

schools 30-35 pupils per teacher. On the basis of this opinion, the great majority of the schools in the rural areas of Saskatchewan cannot hope to attain the optimum enrolment per teacher because of the population distribution in the province.

Of the 5,207 organized school districts in 1948-49, 922 did not operate. Several factors contributed to the closing of one-room rural schools, notably the shifting of population and the tendency toward centralized schools. The latter tendency has also been accelerated by the shortage of teachers.

During the depression many rural schools were unable to pay teachers' salaries and the basic structure of education in the province was in a precarious condition. It should not be forgotten that the improved relative position of the teaching profession is coincident with the increased participation of the province in the financing of education.

The objective in Saskatchewan is to provide a high standard of education so that the young people of the province may enjoy opportunities equal to the youth of other parts of Canada. The people of Saskatchewan have indicated their feeling as to the relative importance of education among the various government services provided. Yet in this province there are particular problems with which no other province has to contend to the same extent.

In its desire to provide the children of the province with an opportunity equal to those of other provinces the provincial government has undoubtedly assumed a burden out of proportion to the resources at its disposal. In order that educational opportunity may be equalized as far as may be possible throughout the Dominion, some equalization plan based on differences in provincial resources should be undertaken by the Dominion government. Failing this, the standard of education in Saskatchewan is bound to suffer as the provincial government cannot long be expected to maintain, without assistance, all the services which it has undertaken. Although the municipalities in some areas might again be able to assume a greater relative burden, this would undoubtedly mean a return to earlier inequalities in cost among various regions or to different standards of education in different areas.

2. HISTORY OF SCHOOL ORGANIZATION

The school district has been the established unit of educational administration in Saskatchewan since before the formation of the

province. As settlement advanced settlers came together in scattered groups and school districts were set up. These districts were often irregular in shape and size, and differed greatly in school population and in the ability of the people to support the school because of the varying productivity of the land. The early school districts contained, on the average, eighteen to twenty sections of land. The number of school districts in 1905 was 894.

Early governmental regulations required that a school district should not exceed an area of 20 square miles and that it should not exceed five miles in length or breadth; that there should be at least four persons residing within the proposed district assessable for school purposes, with at least ten children between the ages of five and sixteen years of age. Prior to 1913 all school districts in the province were set up as individual independent units on the above physical basis and only minor alterations occurred prior to the introduction of the larger school unit in 1945. Urban centres usually formed their own units. Administration of each school was carried on by a board of trustees, with one board for the elementary and another for a secondary school. It was the duty of the board to estimate the annual financial requirements of the school, and to calculate the funds required to meet the portion of costs which was to be recovered locally. The trustees were responsible for all administrative matters connected with the provision of educational facilities for the children of the district in accordance with The School Act.

Certain difficulties were inescapable in the early growth of the school system, and a number of them have been carried forward to the present day. In order to prevent smaller and poorer districts from being required to bear a disproportionate burden for education it was necessary to introduce and develop schemes tending toward the equalization of costs. Small schools in Saskatchewan, from a financial point of view, have been both uneconomic and inefficient. The magnitude of this problem is indicated by the fact that in 1930, 381 schools were in operation with an enrolment of less than 10 pupils each; in 1937, 571 were in this category; in 1948 there were 677.

Faced with particular inequalities and inefficiencies the small school unit found it extremely difficult to cope with a number of other problems as well. Small districts were unable to meet modern community needs, to provide either the equipment required to meet modern standards of education or to provide

a satisfactory community centre. Administrative ability and interest varied greatly from district to district.

In 1913 The School Act was amended to permit organization of school districts of sizes between thirty six and fifty square miles, and the first consolidated schools were established. Again in 1917 an amendment permitted still further enlargement of the district. By 1919 there were some 89 consolidated schools in the province, but only three have been added since that time. Consolidated schools made possible higher standards of teaching efficiency, particularly high school grades, but expenditures for conveyance were extremely high.

Saskatchewan was not alone in attempts to overcome the weaknesses of the small unit. Similar efforts were made in almost all provinces and larger units of various types came into existence. Alberta was the first province to adopt a system of larger school units. Section 231 of the Alberta School Act of 1936 reads as follows:

"Where the conditions prevailing are such that it appears advisable in the interests of education so to do, or if it is so requested by the boards of trustees of the majority of school districts in a proposed division, the Minister may by order constitute a school division consisting of any number of rural public school districts not being districts wholly or partially included in a consolidated district."

In Saskatchewan larger units had been advocated by various educational committees since 1915, but local trustees and ratepayers had jealously guarded local autonomy until The Larger School Unit Act was passed in 1944. The aim of this legislation was to secure equality of opportunity among pupils and a greater measure of equality in bearing the burden of the cost of education.

In order to put the plan into operation the Department of Education divided the province (except for the sparsely settled northern areas) into 60 larger unit areas. Each unit is composed of approximately 80 school districts and each unit in turn is divided into five or six sub-units. Town, high school, consolidated school and separate school districts together with areas not previously included in any district may be added after a larger unit is formed. Forty-eight larger school units are now in operation.

The larger unit is administered by a board of elected members, one from each sub-unit. The larger unit board builds and maintains all schools in the unit, equips the schools, de-

cides where pupils shall go to school, engages teachers and pays their salaries, pays all expenses in connection with school upkeep and determines what school taxes shall be levied.

The larger unit system provides for a local board for each local district although obviously the powers of local boards have been drastically curtailed. The local board may nominate teachers for appointment by the unit board; it advises the unit board of local repairs and services and makes emergency repairs at the expense of the unit; it co-operates with the unit board in providing janitor service, fuel and water supply; it plans special services for its district and recommends them to the unit board; it holds meetings to consider matters of educational concern to the district, calls annual and other meetings of ratepayers and elects a delegate (or delegates) to the sub-unit meeting, which, in turn, elects a member to the unit board.

Since the 48 larger units were set up, many new buildings, including 377 new schools and many new teacherages, have been built and extensive repairs and improvements have been made to existing schools and school buildings; dormitories and boarding houses have been improved, library services have been enlarged and health services have been expanded. A tendency to give greater support to such activities as public speaking contests, music and drama festivals has been reported. Larger school units have been able to make savings through purchase of supplies in bulk.

3. EDUCATIONAL EXPENDITURES

By far the most important contribution of the province in the field of education is made through monetary grants to local school units. These units in practice spend the money as they see fit, although the conditions attaching to the grants give some assurance that expenditures will be made in accordance with the general policy of the provincial government and along lines which the province desires to encourage. About three quarters of the total provincial government expenditures for education in 1948-49 from revenue were indirect expenditures of this type. (Table II). Grants have come into much greater prominence in recent years and are of particular importance as an aid to the financing of educational services in rural communities.

The Dominion government makes a small contribution toward the cost of education in Saskatchewan, but so far has been chiefly interested in vocational training directed largely to rehabilitation purposes following the war.

TABLE III

PROVINCIAL EDUCATION EXPENDITURES IN SASKATCHEWAN FOR SELECTED YEARS
1925 TO 1949
(Thousands of Dollars)

Fiscal year ended in	1925	1930	1935	1940	1945	1946	1947	1948	1949
Administration & Supervision	545	727	641	705	843	1,228	1,224	1,430	1,405
Current Operating Grants to Primary & Secondary Schools	1,958	2,589	1,638	2,620	3,167	3,690	3,905	5,000	5,346
University Operating Grants	537	661	400	522	556	669	550	680	715
Capital Expenditures (Grants & Direct)	40	310	..	..	....	..	570	1,096	2,095
Totals	3,080	4,287	2,679	3,847	4,566	5,587	6,249	8,206	9,661

Source: Public Accounts, Province of Saskatchewan.

The costs of educational administration in Saskatchewan have risen sharply since 1946 and in 1948-49 amounted to about \$1.5 million. These direct expenditures by the provincial government cover the cost of supervision of curricula, standards and examinations, general inspection, training of teachers, superannuation services, provision of special services in northern areas, a school for the deaf, correspondence courses and general administration.

One other item of expenditure should be mentioned at this time. In this province educational services at the university level are supplied solely by the University of Saskatchewan which is, in substance, a state university. The province makes an annual operational grant to the university and in recent years this grant has been sharply increased. This increase has been made necessary not only by increased costs of operation, such as maintenance and salaries, but also through expansion of services to meet urgent demands. The grant in 1949-50 amounted to \$800,000 and in 1950-51 it had risen to \$1,125,000. Grants have also been made to the university in connection with its building program, these grants fluctuating greatly from year to year. The current university building program is necessarily extensive, following years of depression and war. The expansion of services has also involved large capital expenditures for new buildings.

4. SCHOOL GRANTS

The provincial Department of Education has provided financial assistance to local

schools ever since the formation of the province.

Grants under the present system are classified by the Department under the following general categories: (i) Operation; (ii) Conveyance; (iii) Equipment; (iv) Building; (v) Equalization; (vi) Special, i.e. to meet unusual conditions or circumstances. It should be noted that the classification adopted in the following paragraphs does not conform entirely to the usage of the Department.

(i) Basic Grants

Until 1920 the basic grant for each elementary classroom was 75 cents per day for the first 160 days of operation each year, and \$1 per day for each day over that period up to a maximum of 210 days. An additional 10 cents per day was paid to those schools hiring professional teachers, and other special grants were made to assist newly organized school districts during the first three to four years in which they operated.

With the pioneering and expansion stage largely past by 1920, school grants were revised and increased. From that year \$1.50 per room per day was paid to schools operating one to five classrooms, \$1.30 for six to ten rooms, \$1.10 for eleven to twenty five rooms, and 80 cents if over twenty five rooms. This schedule continued in effect until 1932 in which year grants were reduced by one third. They were restored to the previous level in 1937 and remained unchanged until 1947. In that year adjustments were effected which increased

assistance to the larger schools. At present the basic grant for all elementary classrooms is \$1.50 per day.

(ii) *Additional Grants for High Schools and Collegiate Institutes*

Continuation and high schools have always received grants in addition to the basic elementary rate referred to above. In 1926 these grants were \$1.50 plus \$2.00 per room per day. They were reduced to \$1.00 plus \$2.00 in 1932 and raised to \$1.50 plus \$2.00 in 1937. Thus at present school districts operating continuation and high school class rooms receive a total grant of \$3.50 a day for each room operated during the school term, i.e., \$700 per classroom annually. These operating grants have been supplemented since 1947 by special grants for each teacher engaged in vocational instruction. Thus, at \$1.75 a day for a full time vocational instructor, the additional annual grant amounts to \$350. Account has also been taken in the grant structure of the fact that high schools and collegiate institutes draw their pupils from a wide area and do not confine their services to the local taxpayers who support them. "Non-resident grants", at present

equal to \$12 per pupil for the fall term and \$18 for the spring term, have been paid since 1944.

(iii) *Equalization*

The principle of additional grants to certain schools in recognition of a lesser ability to pay their share of cost has been in force for eleven years. It is based entirely on a specified assessment per classroom in operation. At first applicable to rural and village districts only, it was extended in 1947 to town school districts. When first effective in 1939 the equalization grant operated within a range having a ceiling at an assessment of \$100,000 and a floor at an assessment of \$50,000 per classroom but the floor was lowered to \$25,000 in 1944 and the ceiling raised to \$105,000 in 1950. Table III indicates the history of the school district equalization grant, showing the maximum per diem grant, the range of assessment within which this grant operates and has operated, and examples of the amount of grant earned by a one-room rural school district with an assessment of \$25,000 and a two-room village school district with an assessment of \$90,000.

TABLE III
EQUALIZATION GRANTS IN SASKATCHEWAN 1939 TO 1950.

Date Effective	Maximum per Diem Grant per Classroom	Range of Assessment for Payment of the School District Equalization Grant	Annual Grant Earned by a one-room rural school with an assessment of \$25,000	Annual Grant Earned by a two-room village school with an assessment of \$90,000
July 1, 1939	\$.50 Rural & village districts	\$50,000 to \$100,000	\$100	\$200
January 1, 1943	\$.00 Rural & village districts	\$50,000 to \$100,000	\$200	\$400
January 1, 1944	\$1.50 Rural & village districts	\$25,000 to \$100,000	\$300	\$440
January 1, 1947	\$3.00 Rural & village districts (non-unit)	\$25,000 to \$100,000	\$600	\$880
	\$1.00 Town districts (non-unit)	\$75,000 to \$100,000		
January 1, 1950.	\$4.80 Rural & village districts (non-unit)	\$25,000 to \$105,000	\$960	\$1,440
	\$1.80 Town districts (non-unit)	\$75,000 to \$105,000		

With the advent of larger school units in 1945 an additional equalization grant was paid to those units where the aggregate income expressed in terms of a fixed tax rate plus flat grants actually received was less than a sum estimated as a minimum cost of operation. The formula first adopted fixed the minimum cost of

operation at \$1,500 per elementary classroom and \$1,800 per continuation or high school classroom, plus an amount determinable by the Minister of Education for each district where a school was not in operation and other arrangements were made for the education of the children. For the first year this was esti-

mated at \$750. Within the formula the income of each unit was calculated at 9 mills on the rural assessment and 14 mills on the urban assessment of the unit, plus:

- (1) The grants actually paid to each district in the unit consisting of:
 - (a) the flat per diem grant per classroom;
 - (b) the flat per diem grant per continuation or high school classroom;
 - (c) the school district equalization grant.
- (2) An amount representing a portion of the sum estimated to cover the cost of education in a district where no school was in operation. For the first year this amount was \$250.

The equalization grant payable to each unit consisted of the amount by which the fixed minimum cost of operation exceeded the income as determined by the foregoing formula.

In 1947 when the school district equalization grant was extended to town districts having an assessment of less than \$100,000 per classroom a number of changes were made in the formula under which equalization grants to units were determined. The estimated minimum cost of operation was raised to \$1,800 for elementary classrooms and to \$2,100 for continuation or high school classrooms. In determining the income of a unit the tax rate used for the calculation of a grant was raised to 10 mills on rural assessment and the school district equalization grant payable to districts having an assessment less than \$100,000 per classroom was eliminated. The latter change coincided with an amendment to The School Grants Act discontinuing the school district equalization grant to districts within a unit. A minimum unit equalization grant of \$5,000 was provided for those units which did not qualify for a unit equalization grant under the revised formula, and also for those units which earned less than \$5,000. This provision was to compensate such units for the loss in revenue which resulted from the disappearance of the school district equalization grant to school districts within units. In 1950 this minimum was raised to \$10,000.

In 1950 the equalization principle was extended within the formula for payment of unit equalization grants. The estimated minimum cost of operation was raised to \$2,100 for elementary classrooms, \$2,200 for continuation or high school classrooms, and \$900 for the cost of education in those districts where there

was no school in operation. In determining the income of the unit, the tax rate used for grant calculation was raised to 11 mills on rural assessment and 15 mills on urban assessment and the amount payable as a grant for a district where no school is in operation was raised to \$300.

(iv) *Special Grants*

The grants outlined above constitute the main form of assistance given by the province for school operating costs. Grants for conveyance are also important to certain rural areas. These grants have been made for many years to districts in which a school is closed and to "consolidated" districts (districts with an area of 36 square miles or more). The government pays one third of the cost of transportation, and fees to a maximum of \$300 annually.

Other grants made by the province are mainly for capital purposes, to assist in improving buildings and equipment. In addition to the statutory grants, which have been made for many years, for erecting teachers' residences in rural areas and a first new school-house, the province has recently provided a substantial amount of assistance for rebuilding and repairing school buildings which were allowed to deteriorate during the depression and war. Matching grants for the purchase of equipment for use in science courses, for instruction in agriculture, home economics, commercial and shop work, for audio-visual instruction and for noon lunches are also made. These have been liberally supplemented since 1945 by grants for buildings and technical equipment provided under the terms of the Dominion-Provincial Vocational Schools Assistance Agreement. Table IV is a statement of school grants paid in the fiscal year 1949-50.

The general features of the Saskatchewan school grant system are thus a scheme of flat grants payable to all schools in operation in the province, equalization grants taking account of need, and matching grants for special services and capital improvements.

5. COMPARISON WITH THE GRANT STRUCTURES IN OTHER PROVINCES

A comparison of grant structures would only be completely valid if assessments were on a strictly uniform basis, and, of course, this is not the case. Thus the value of comparisons of grant systems lies in certain relative aspects within one grant structure as compared with another, rather than in an appraisal of the actual amounts involved.

(i) Alberta

The Saskatchewan system of grants appears to be more closely related to that of Alberta than to that of Manitoba. In Saskatchewan and Alberta there are both basic and equalization grants.

Basic grants in these two provinces are on a flat rate basis of certain sums per room per

year. For the one-room rural school Alberta pays \$375 per year, or \$360 if the school has grades I to VI only, compared with \$300 for Saskatchewan. In multi-room schools the Alberta grant is \$360 for grades I to VI and \$450 per year for grades VII and VIII. Saskatchewan provides a flat \$300 for a public school room.

TABLE IV

STATEMENT OF SCHOOL GRANTS PAID BY THE PROVINCE OF SASKATCHEWAN IN THE FISCAL YEAR 1949-50.

Type of Grant	Unit	Non-Unit	Northern Areas of Administration	Secondary Education Act	Vocational Education Act	Total
1. OPERATION						
Basic	\$ 1,244,046	\$ 723,738	\$ 77,423	\$	\$	\$ 2,045,209
Continuation & High School	209,200	128,130		179,180	125,190	641,700
Vocational	2,241	3,122		7,610	41,893	54,868
Non-Resident	40,718	26,179		16,401	9,165	92,463
Helping Teacher & Special Instructor	18,615	11,734	...	697	...	31,046
Night & Lighted School	687	1,238	171	244	5,152	7,492
2. CONVEYANCE						
Consolidated		53,261				53,261
Closed Schools	103,455	22,134				125,589
3. EQUIPMENT						
Noon Lunch	635	77				712
Sec. 3(1) 6(a) or (b)						
Science	1,928	254		82		2,264
Sec. 3(1) 6 (c), Shop	1,596	1,040		2,704	3,488	8,828
Sec. 3(1) 6(d) Audio Visual	22,097	7,758	...	59	...	29,914
Sec. 3(1) 6(e) Shop	25		...	...	...	25
Special Equipment	...	1,910	...	...	...	1,910
Dominion-Provincial Equipment	9,258	57,127	...	...	...	66,385
4. BUILDING						
Repairs	124,087	33,262	...			157,329
First New School	100	200				300
Teacher's Residence	10,050	3,814				13,864
Special Building	408,252	81,616	8,222			498,090
Dominion-Provincial Building	37,770	291,370				329,140
5. EQUALIZATION						
School District	1,960	150,911	...	2,817	...	155,688
Unit Equalization	1,783,330					1,783,330
6. SPECIAL GRANTS	7,891	6,101	1,974			15,966
Totals	\$ 4,027,941	\$ 1,604,956	\$ 87,792	\$ 209,794	\$ 184,890	\$ 6,115,373
Loans	\$ 162,399	\$ 1,500				\$ 163,899

Dominion Refunds — To School Grants Vote \$ 63,392
 To Buildings and Equipment 188,120
 \$ 251,512

Continuation schools and all high schools in Saskatchewan receive \$700 per room per year even where the senior room of a two-room country school contains grade VII and grade VIII pupils. Alberta grants amount to \$600 for continuation rooms. Saskatchewan therefore gives relatively greater encouragement to the small town and village schools. For grade IX rooms not in continuation schools Alberta pays \$450 and Saskatchewan \$700. Alberta provides \$500 for a grade IX continuation school room. For ordinary grades X to XII each province pays \$700 per year.

Saskatchewan gives encouragement to vocational schools with a grant of \$350 per year compared to \$150 for Alberta. Saskatchewan pays \$30 per year for each grade XI and XII student who is a non-resident of the district. Alberta has no similar grant.

Prior to 1950, equalization in non-unit schools in Saskatchewan began at assessments of \$100,000 per room whether for town or rural school. Alberta rural school grants begin at \$100,000 assessment; town and village schools begin at \$110,000 and \$115,000 assessments respectively. The Saskatchewan rate of increase was \$8 per thousand dollars with a maximum grant to rural and village schools of \$600 per year, reached where assessment was \$25,000, and a maximum grant to towns of \$200 reached at an assessment per room of \$75,000. In Alberta the rate of increase for rural schools was much higher at \$16 per thousand with town and village schools at \$9 per thousand. Maximum equalization grants in Alberta did not exceed the difference between basic grants and 80 per cent. of current operating expenditures.

Since the 1950 amendment, however, Saskatchewan equalization begins for non-unit schools at \$105,000 and increases by \$12 per thousand to a maximum grant of \$960 for rural schools where assessment drops to \$25,000 and to a maximum of \$360 for towns, reached at an assessment of \$75,000.

In unit schools in Saskatchewan the equalization grant starts at a higher assessment level than heretofore. Since the 1950 amendments in rural schools within a unit Saskatchewan's equalization grants begin at an averaged assessment per room of \$164,000, increasing at \$11 per thousand. Alberta unit one-room rural schools begin at \$130,000 and increase at \$16 per thousand. Thus for assessments down to approximately \$100,000 Saskatchewan's grants exceed Alberta's. In two-room (1 elementary, 1 high school) rural districts, Saskatchewan equalization grants begin at \$150,000 compared with \$130,000 in

Alberta, with Alberta's higher rate making an equalization at about \$106,000. In two, three, four or five room village or town schools where the majority of rooms are elementary, Saskatchewan equalization grants start at assessments of approximately \$112,000 to \$115,000 compared with Alberta's \$130,000 but Saskatchewan's increase rate of \$15 is not far behind Alberta's rate of \$16.

One factor which has a bearing on assessment relationship between the two provinces and hence on the relationship between equalization grants is the fact that in Saskatchewan improvements are assessed at not more than 60 per cent. of value and in Alberta at 100 per cent. This factor is of significance in non-rural areas.

(ii) Manitoba

A comparison of the role of the provincial governments in education as between Manitoba and Saskatchewan is particularly difficult to make since assessments are different and Manitoba has only one grant embodying the combined features of the basic and equalization grants.

The Provincial Assessor of Manitoba is of the opinion that Manitoba assessments are low in comparison with Saskatchewan. On the other hand, the Winnipeg school district which contains one quarter of the total school population of the province has a very high assessment per authorized teacher (\$212,846), so high that it earns only the minimum grant of \$200 per teacher for the first eight grades with \$550 for grade IX and \$700 for grades X, XI and XII. This is well below the Saskatchewan payment of \$300 for city public schools and \$700 for all high school rooms in Saskatchewan. The smaller cities in Manitoba have assessments per authorized teacher somewhat below those of Saskatoon and Swift Current and receive higher grants than these Saskatchewan cities.

On the other hand, and although Manitoba grants on a per capita basis are below those of Saskatchewan, rural schools in Manitoba appear, on the whole, to receive an advantage over Saskatchewan rural schools. Table V shows a comparison of provincial government grants to one-room rural schools in Manitoba and Saskatchewan.

The grant in Saskatchewan for highly assessed districts is higher than in Manitoba but in the majority of cases Manitoba is markedly higher than Saskatchewan especially in the ranges from \$80,000 to \$130,000. A more representative comparison, however, would be between Manitoba non-unit schools which form

the great majority of Manitoba rural schools and Saskatchewan unit schools which form the great majority in this province. Drawing a comparison of this nature is extremely difficult. In Saskatchewan equalization grants are paid to the unit on the basis of averaged assessments of the districts included therein. For a rural school district on this averaged basis the equalization grant would come into effect at an assessment of \$164,000. This is almost as high as the assessment rate at which equalization grants begin for Manitoba non-unit schools. On the whole grants in Saskatchewan appear to compare favourably with those in Manitoba. While Manitoba has special grants for unit schools little advantage is taken of the unit organization. It must be remembered also that Saskatchewan has a minimum grant of \$10,000 payable to units which do not earn an equalization grant under the formula or earn less than \$10,000.

TABLE V

GRANTS TO ONE-ROOM RURAL SCHOOLS,
MANITOBA AND SASKATCHEWAN

Assessment	Manitoba Grant	Non-Unit Saskatchewan Grant	
		Prior to 1930	1930
\$ 233,000	\$ 200	\$ 300	\$ 300
200,000	200	300	300
180,000	320*	300	300
150,000	500*	300	300
130,000	620*	300	300
100,000	800*	300	350
90,000	850*	380	430
80,000	920*	460	600
60,000	1,040*	580	840
40,000	1,160*	700	1,030
25,000	1,250*	900	1,340

* Less miscellaneous revenues

Village and town schools in Manitoba are not as favoured as in Saskatchewan since fewer teachers are counted for grant purposes than are actually employed in many cases. In addition, the multiplication of the business assessment (by 3-1/3) places them at a disadvantage.

Manitoba and Alberta as well as Saskatchewan pay special grants for conveyance, equipment and various other miscellaneous purposes.

(iii) British Columbia

The principle of equalization has had particular significance in the school grant structure in British Columbia since 1946. The province undertakes to pay the difference between a levy of 5 mills on 100 per cent. of the assessed value of the land and 75 per cent. of the assessed value of taxable improvements and a minimum cost figure for the provision of

educational services. This minimum cost figure makes allowance for salaries with modifications for different types of rooms whether elementary, junior high or senior high schools, modifications for special teacher qualifications, and a fixed allowance for current operating expenditures on a per pupil basis at rates of \$16, \$20 and \$23 per pupil in elementary, junior and senior high schools respectively. Principal additional grants are for construction and equipment, conveyance, and pensions.

(iv) Ontario

One feature of Ontario assistance to schools prior to 1945 was a special one mill subsidy to municipalities, earmarked for education.

In 1945 a new system of grants was introduced and the amount of grants was greatly increased. Under this plan the province pays 50 per cent. of the approved cost for rural public and separate schools with assessments of \$80,000 or more, with a rising schedule for lower assessments up to 90 per cent. of the approved cost. Larger units get a similar grant plus one mill on equalized assessment.

In urban public and separate schools the province pays 80 per cent. of the approved cost when the population exceeds 100,000 and up to 60 per cent. of such costs in urban areas with populations of less than 2,500.

Collegiates, high schools and continuation schools in Ontario receive a grant of \$10 per pupil of average attendance for the preceding calendar year plus part of the difference between the amount thus obtained and the approved cost. Thus, where the amount required is less than one mill the government pays five per cent. of the approved cost; between one and two mills, ten per cent. of the approved cost, with the mill rates rising to 14 mills and the percentages rising to 75 per cent.

Vocational and technical institutions in Ontario receive grants of 90 per cent. of the first \$20,000 of teachers' salary cost, 80 per cent. of the second \$20,000, 70 per cent. of the next \$20,000, and 60 per cent. of any further amount.

Ontario also has a range of miscellaneous grants not unlike those of Saskatchewan.

6. STATISTICAL ANALYSIS OF SASKATCHEWAN GRANTS

Table VI shows grants paid to schools in Saskatchewan for the last six years and for individual years at five year intervals back to 1925.

TABLE VI
GRANTS PAID BY PROVINCE OF SASKATCHEWAN FOR SCHOOLS*
(Pesos. Year ended in year indicated)

	1925	1930	1935	1940	1945	1946	1947	1948	1949	1950
Basic Operating Grants	\$ 1,207,478	\$ 1,281,733	\$ 1,146,697	\$ 2,905,473	\$ 1,837,073	\$ 1,856,162	\$ 1,983,626	\$ 2,023,630	\$ 2,038,900	\$ 2,045,100
Equation Grants†				21,317	374,796	597,985	987,775	1,653,144	2,107,500	1,836,201
Non-resident					63,434	66,392	72,314	75,133	73,056	66,897
Continuation and High School	169,963	332,183	252,943	283,082	269,174	274,420	285,643	327,107	337,243	371,300
Conveyance	57,540	69,309	20,253	45,944	130,945	118,083	101,912	150,122	170,723	178,850
Adult Education	1,523	1,560	1,222	3,073	92	42	613	1,956	2,004	2,096
Equipment										
Audio Visual				1,561	2,260	6,440	12,064	16,480	31,062	20,914
Non-Instructional	734	402		35	130	241	261	1,078	1,077	1,112
Domestic				6,861	885	1,102	3,751	16,391	38,376	66,135
Other Equipment	12,219	20,135	8,216					6,774	6,893	6,694
Building										
Domestic Provision										
All Other, including repairs‡	3,000	12,850	4,833	7,895	96,444	207,804	383,368	103,283	601,120	379,140
Special Grants§				Incl. above	302,316	252,689	8,366	632,563	782,037	669,483
School Libraries					20,000			11,462	17,314	48,316
Arrears of Teachers Salaries						17,916	1,491	154		
Total School Act	\$ 1,257,467	\$ 2,327,172	\$ 1,439,594	\$ 2,374,136	\$ 2,698,579	\$ 3,399,801	\$ 3,681,684	\$ 4,984,145	\$ 6,213,044	\$ 5,715,327
Secondary Education Act				169,323	199,190	199,190	291,573	290,564	212,287	200,795
Vocational Education				77,568	86,154	94,332	101,252	126,894	145,711	190,252
Total	\$ 1,957,662	\$ 2,553,234	\$ 1,637,575	\$ 2,600,837	\$ 3,166,537	\$ 3,693,323	\$ 3,964,869	\$ 5,340,543	\$ 6,578,042	\$ 6,115,374
Donation Contributions included in above								87,125	279,711	251,812

* Includes capital grants

† Includes larger school units.

‡ Included under "other equipment" grants, 1925-1940.

§ Source: *Annual Reports*, Department of Education, Province of Saskatchewan

There are two outstanding features in the history of grants for the financing of education in Saskatchewan. The first is the steady growth in the total amount (except in depression years as indicated by the figure for 1935) from under \$2 million in 1925 to some \$6.5 million in 1949. A slight reduction occurred in the 1950 fiscal year. It is of particular significance that between 1947 and 1949 grants increased by about 60 per cent. The other feature of particular significance is the growth of equalization grants. In 1940 these amounted to about one per cent. of the basic operating grants but by 1949 they were greater than basic operating grants, each grant exceeding \$2 million and the two combined amounting to nearly two thirds of the total expenditure on grants. Basic operating grants have been relatively stable, although the 1950 revision provided for higher basic grants to the large centres in the province.

Among the smaller grants, those for building have reached significant proportions in the last two years, amounting to more than \$1 million in 1949. Years of depression and postponement as a result of war had created a great need for assistance. Continuation and high school grants have increased in recent years to a figure of almost \$840,000 in 1950. Conveyance grants increased between 1947 and 1950 by about 70 per cent., reaching \$178,000 in 1950. In 1940 there were no non-resident grants but in several recent years such grants have amounted to over \$70,000 annually. Equipment grants have increased from about \$16,000 in 1947, \$40,000 in 1948, \$76,000 in

1949 to over \$100,000 in 1950. Certain other small grants for adult education, school libraries, and special purposes have been made in certain years.

In addition to grants made in 1950 under The School Act, over \$200,000 was given in grants under The Secondary Education Act and approximately \$190,000 was devoted to vocational education. The current grants of approximately \$6 million represent a very heavy contribution by the provincial government to education, and indicate the role which the government has assumed in assisting school districts in their financing.

7 THE RELATIVE SIGNIFICANCE OF GOVERNMENT ASSISTANCE

The significance of the role of the provincial government in the financing of education can perhaps best be assessed by showing the development of the relationship between the provincial and local government expenditures on local education and by making comparisons on a total and per capita basis between provinces.

In 1921 municipal governments paid \$9.2 million or 82 per cent. of education costs whereas the provincial government paid \$2 million or 18 per cent. In 1926 the province paid over 23 per cent. of the cost of education, but in the early nineteen-thirties the province's contribution had fallen back to approximately 21 per cent. Between 1934 and 1949 the province's contribution rose to slightly over one third of the total of educational costs. This is shown in Table VII.

TABLE VII

EXPENDITURES ON LOCAL EDUCATION BY PROVINCIAL AND LOCAL GOVERNMENTS IN SASKATCHEWAN, SELECTED YEARS, 1920-21 TO 1948-49

	1920-21	1925-26	1929-30	1933-34	1937-38	1941-42	1944-45	1947-48	1948-49
	(Millions of Dollars)								
Provincial	2.0	3.2	3.3	2.1	2.8	3.6	4.0	6.8	7.8
Municipal	9.2	10.5	11.8	7.7	7.5	8.5	9.9	13.5	15.3
Total	11.2	13.7	15.1	9.8	10.3	12.1	13.9	20.3	23.1
	(As a Percentage of Combined Total)								
Provincial	17.9	23.3	21.9	21.4	27.2	29.8	28.8	33.5	33.8
Municipal	82.1	76.7	78.1	78.6	72.8	70.2	71.2	66.5	66.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Provincial expenditure in this table does not include transfers of expenditures to District government subdivisions.

Sources: *Public Accounts, Province of Saskatchewan and Annual Reports, Department of Municipal Affairs.*

TABLE VIII
COMPARISON OF NET EXPENDITURES ON EDUCATION BY VARIOUS PROVINCES
FOR FISCAL YEAR 1947-48

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario	
	Total Amount	Per Capita	Total Amount	Per Capita	Total Amount	Per Capita	Total Amount	Per Capita	Total Amount	Per Capita
General Education*	\$ 2,224,745	\$2.13	\$1,058,314	\$1.29	\$1,088,471	\$1.29	\$ 755,661	\$1.01	\$ 6,102,270	\$1.46
University Operating Grants†	1,095,379	1.05	1,187,943	1.44	680,000	.81	376,303	.78	4,805,360	1.15
School Grants	8,553,437	8.19	5,259,395	6.40	5,320,544	6.31	3,613,236	4.86	29,611,615	7.07
Total Education Net Expenditures on all Services	\$11,873,561	\$11.37	\$7,505,652	\$9.13	\$7,089,015	\$8.41	\$4,945,200	\$6.65	\$40,519,245	\$9.68
Percentage Total Education is of Net Expenditures on all services	73.915,009	70.79	38,962,085	47.39	45,964,187	52.20	25,776,158	34.69	186,425,702	44.50
	16.1%		19.3%		16.1%		19.2%		21.7%	

* Expenditures on services other than universities and grants to schools

† Construction or capital grants to universities in 1947-48 for the five provinces are as follows (these are additional to operating grants): British Columbia, \$1,332,886 (per capita, \$1.28); Alberta, \$700,983 (per capita, \$.83); Saskatchewan, \$776,544 (per capita, \$.92); Manitoba, \$123,624 (per capita, \$.17); Ontario, \$4,356,263 (per capita, \$1.04)

This comparison covers only the field of local education. Of course, the scope of provincial government assistance does not stop with local education, but provincial grants as shown in preceding tables are paid to the university in support of higher education.

In Table VIII, Comparison of Net Expenditures on Education by Various Provinces, the relationship is shown between the per capita expenditures on education and the percentage of total provincial expenditures devoted to education. British Columbia, at \$11.37, had the highest per capita expenditures. Ontario was next with \$9.68, followed by Alberta with \$9.13, Saskatchewan with \$8.41 and Manitoba with \$6.65.

Ontario, with 21.7 per cent., allocated a higher proportion of its total provincial expenditures to education, although total per capita expenditures for all purposes was second lowest in that province. In British Columbia where per capita provincial expenditures were well above all other provinces, the percentage of the total allocated to education was actually low with only 16.1 per cent. Manitoba and Alberta devoted practically the same percentage of total expenditures to education (19.2 and 19.3 respectively) although Manitoba had the lowest total per capita expenditures for all purposes. Saskatchewan had the second highest total per capita expenditure for all purposes and the lowest relative allocation to edu-

TABLE IX

COMPARISON OF EXPENDITURES PER PUPIL ENROLLED, BY PROVINCIAL AND MUNICIPAL GOVERNMENTS

A. Net Expenditure per Pupil by Provincial Governments, Fiscal Year 1947-48

	British Columbia	Alberta	Saskat- chewan	Manitoba	Ontario
All Grants	\$ 62 06	\$ 33 82	\$ 31 56	\$ 29 99	\$ 42 81
Direct Expenditure *	16 14	6 80	6 46	6 27	8 39
Total Cost to Province	\$ 78 20	\$ 40 62	\$ 38 02	\$ 36 26	\$ 51 40

Total and Per Pupil Net Contributions of Municipal Governments Calendar Year 1947

	British Columbia	Alberta	Saskat- chewan	Manitoba	Ontario
Total	\$11,034,307	\$13,364,240	\$13,515,033	\$ 9,552,334	\$46,155,513
Per Pupil	80 06	85 29	80 16	79 28	66 72

B Total Cost Per Pupil to Provincial and Municipal Governments

	British Columbia	Alberta	Saskat- chewan	Manitoba	Ontario
Province	\$ 78 20	\$ 40 62	\$ 38 02	\$ 36 26	\$ 51 40
Municipality	80 06	85 29	80 16	79 28	66 72
Totals.	\$ 158 26	\$ 125 91	\$ 118 18	\$ 115 54	\$ 118 12
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Provincial Contribution	49 4	32 2	32 2	31 4	43 5
Municipal Contribution	50 6	67 8	67 8	68 6	56 5

* Includes expenditures for administration, supervision, normal schools, youth training, adult education, free textbooks, etc. Excludes expenditures on universities.

TABLE X

COMPARISON OF MUNICIPAL AND PROVINCIAL EXPENDITURES ON EDUCATION BY VARIOUS PROVINCES, 1947-48

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario
	Total Amount	Total Amount	Total Amount	Total Amount	Total Amount
	Per Capita	Per Capita	Per Capita	Per Capita	Per Capita
MUNICIPAL					
Municipal Education Levy	\$11,036,366	\$10 57*	\$12,515,033	\$ 9,552,354	\$46,155,513
Expenditure of Municipal Funds on all Services*	32,090,387	39 63*	35,257,429	27,965,568	151,565,320
Percentage that Municipal Education Levy was of Expenditure of Municipal Funds on all Services	26 24*	38 6	38 3	30 3*	30 5
PROVINCIAL					
Grants to Schools	8,553,437	8 19	5,370,544	5,612,216	29,611,615
General Education Expenditures	2,224,745	2 13	1,032,314	755,661	6,102,270
University Operating Grants*	1,095,279	1 05	680,000	576,503	4,805,360
Total Provincial Education Expenditures	11,873,561	11 37	7,080,815	6,945,380	40,519,245
Provincial Net Expenditure on all Services	13,913,009	70 79	45,964,187	25,776,156	186,475,702
Percentage that Total Provincial Education Expenditure was of Provincial Net Expenditure on all Services	16 1	19 3	16 1	19 2	21 7
Percentage that Provincial Grants to Schools was of Municipal Education Levy	77 5**	39 4	39 3	37 8	64 2
Percentage that Provincial Grants to Schools was of Municipal Education Levy plus Provincial Grant to Schools	43 21*	28 2	28 2	27 4	39 0
Percentage that Municipal Education Levy was of Total Provincial Education Expenditure plus Municipal Education Levy	46 17**	64 04	65 59	65 92	53 29
Percentage that Total Provincial Education Expenditure was of Total Provincial Education Expenditures plus Municipal Education Levy	51 83**	35 96	34 41	34 08	46 71
Percentage that Total Provincial Education Expenditure plus Municipal Education Levy was of Provincial Net Expenditure on all Services plus Expenditure of Municipal Funds on all Services	18 61*	28 39	20 0	24 9*	25 60

See page 58 for footnotes

1. Municipal per capita figure based on a population of 797,119 reported by Alberta Department of Municipal Affairs. Provincial per capita figure based on D.B.S. estimate of 822,000
2. Municipal and Provincial per capita figures based on population of 642,000 reported by Saskatchewan Department of Municipal Affairs
3. Provincial population figure of 745,000 used because total amount includes tax receipts of all school boards including those in unorganized territory. For Manitoba the municipal education figures and the calculations are based on tax receipts rather than levies
4. Municipal and Provincial per capita figures based on D.B.S. population estimate of 4,189,000. The population of Ontario municipalities as reported by the Ontario Department of Municipal Affairs has been adjusted to correspond to the D.B.S. estimate
5. Education Levy used for Vancouver, Villages and R.-M.'s School Districts. Municipal Education Payments used for other cities and for districts. The \$11,036,366 included \$3,060,342 which is the education levy for rural school districts (most of them in unorganized areas) and villages. As all school districts are included the provincial population of 1,044,481 (instead of the municipal population of 855,931) has been used in calculating the per capita figure.
6. To eliminate duplication government grants have been subtracted from total expenditures of municipalities on all services. Manitoba municipal statistics do not show the revenue item "government grants", so no adjustment has been made for government grants in Manitoba.
7. Because education expenditures in villages cannot be separated from education expenditures in unorganized areas and because expenditures on all services in unorganized territories cannot be shown, villages have been left out of this calculation. The municipal population figure is thus reduced to 830,347
8. Excludes expenditures on education and all services in villages and unorganized territory. In cities, towns and rural municipalities educational expenditures totalled \$7,975,434 or 24.24 per cent of the total expenditure of municipal funds on all services of \$32,900,385
9. Based on education expenditure of \$8,463,158. This excludes expenditure of improvement districts since all expenditures in such districts were not available.
10. Total and per capita construction or capital grants to universities in 1947-48 for the five provinces were as follows: British Columbia, \$1,337,886 (\$1.28); Alberta, \$700,983 (\$.85); Saskatchewan, \$776,344 (\$.92); Manitoba, \$123,624 (\$.17); Ontario, \$4,356,263 (\$1.04). These construction grants are not included in the amounts listed under operating grants, nor are they included under Total Provincial Education Expenditures
11. Municipal figure of \$1,036,366 used in this calculation. See footnote 5.
12. Municipal education figure of \$7,975,434 and municipal all services figure of \$32,900,385 used in this calculation. See footnotes 7 and 9.

ation with 16.1 per cent., the same as British Columbia.

It is also interesting that per pupil expenditures in British Columbia by the provincial government were much higher than any other province at \$78.20. Ontario was second with \$51.40 and the other three provinces were close together, Alberta spending \$40.62, Saskatchewan \$38.02 and Manitoba \$36.26. (Table IX)

To a greater extent than in other provinces, in Saskatchewan the production of wealth is restricted to agricultural resources so that assessment on land forms a relatively high percentage of total assessment. It might be expected, therefore, that the taxes collected locally for education against land assessment would form a relatively higher percentage of total expenditure on education than in other provinces.

Among the three prairie provinces, however, Alberta actually had the highest municipal levy for education with a per capita levy of \$16.76 compared with \$16.03 for Saskatchewan and \$12.84 for Manitoba. Ontario's municipal levy was still smaller. In the light of Saskatchewan's limited tax base the per capita provincial government expenditure by way of grants and services of \$8.41 as against the municipal levy of \$16.03 compared reasonably with Alberta where per capita provincial expenditures amounted to \$9.13 as against a municipal levy of \$16.76. In Manitoba, although the municipal levy for education was only \$12.84, it formed a greater percentage of total government expenditures on education than in either of the other two prairie provinces.

The foregoing material, together with extensive additional data, are set out in Table X.

8. RECOMMENDATIONS OF SASKATCHEWAN URBAN MUNICIPALITIES ASSOCIATION

The Saskatchewan Urban Municipalities Association has suggested that the provincial government bear any cost for a basic program in education over and above that amount which would be raised by local taxation at 10 mills on the equalized taxable assessment.

Table XI is a calculation showing what the cost of implementing this recommendation would be to the province. The total provincial grant would have to be doubled in order to implement the proposal, as total grants would need to be increased by \$6,481,452 from the 1948-49 total of \$6,238,331 to reach a new total of \$12,719,783.

TABLE XI
COSTS OF IMPLEMENTING
SASKATCHEWAN URBAN
MUNICIPALITIES' RECOMMENDATIONS

(a) Urban

Actual expenditure of Urban Municipalities, 1948	\$ 5,909,943
10 mills on assessment of \$285,498,719	2,354,967

Increased Cost to Province\$ 3,554,966

(b) Rural

Actual Expenditure of Rural Municipalities and Local Improvement Districts	\$ 9,414,059
10 mills on assessment of \$648,756,289	6,487,563

Increased cost to Province\$ 2,926,496

Total increased cost to Province...\$ 6,481,452

In the opinion of your Committee, after a close examination of the economy of the province and the present fiscal position of both province and municipalities, such a proposal could not be entertained for a moment. When placed in relation to other social and developmental needs of the province such a proposal simply seems to be out of touch with reality.

9. SUMMARY

The appraisal of educational services in the province has given your Committee a great deal of difficulty. Material has been gathered which would fill volumes and the opinion of all manner of experts has been considered. The Committee feels that no good would be served by writing a treatise on the subject and, accordingly, this portion of the Report contains only such material as is necessary to give the reader a general understanding of the subject.

It is apparent that expenditures on education of both the provincial and the local governments have now reached their highest levels since the formation of the province. More than \$23 million was spent on local education in the fiscal year ended in 1949. This represents an increase of 66 per cent. over 1945 and an increase of rather more than 135 per cent. over 1934.

Some of the more basic expenditures have been significant in the rise to the present high levels. Among these are teachers' salaries which have increased sharply in recent years. In addition, building expenses have increased markedly. This is a result not only of greatly

increased costs, but of the fact that much building had been deferred during the depression and the war. The current building program to replace inadequate structures is a necessity that cannot well be postponed.

In addition to these increases in costs, other increases have been considered to be in the interests of improved standards of education, although perhaps less basic than those mentioned above. The introduction of new techniques, increased educational facilities, and expanded programs have certainly been responsible for part of the higher cost of education. The increase in the grants for equipment and buildings is a reflection in part at least of the increased programs of education and expansion of facilities to take care of additional curricular activity. Building and equipment grants are made on a sharing basis, the provincial grant for buildings and equipment and for vocational education recently being much in excess of earlier years. Various other items in connection with larger school units, including costs of conveyance, have increased.

In connection with new techniques and new equipment it is not suggested in any respect that the increased expenditure has been undesirable. It must be kept in mind, however, that there are other basic needs in the community, as, for instance, the prevention and cure of disease. The Committee has been impressed by the tendency of many people to estimate the effectiveness of education in terms of the amount of money being spent. This is not necessarily a sound measure of quality. It is suggested that basic requirements should come first. When expansion is contemplated, especially if the expansion is in the nature of an experimental frill, both the Department of Education and the school districts would do well to consider with some care whether they are likely to get value for their money.

A word should be said regarding equalization. The history of equalization grants in the province extends over a period of only about ten years, but such grants have grown in favour until the amount paid now exceeds the amounts paid under the basic operation grants.

Whatever may be said about the principle of equalization in general, your Committee is prepared to concede it in the matter of education. What is meant is this: it should be an aim of public policy to see to it that all children have reasonably equal opportunities for acquiring an education. It seems fairly clear that the Saskatchewan government has adopted this principle. It seems to have been felt that educational benefits should be available generally

to the people and costs distributed equitably in a province where difficulties arise from differences in wealth among regions and from areas of sparse settlement. A substantial measure of equalization occurs within the larger school units. The equalization grants of the provincial government extend the principle.

While agreeing with the principle of equalization in general in the field of education, it must be pointed out that there are many difficulties in the way of the realization of a satisfactory program (a) the province is distinctly limited in the funds which may be devoted to this object in competition with other services; (b) equalization of opportunity certainly does not mean that the total expenditures per capita must be the same in all areas; (c) there is no satisfactory criterion with reference to which "equal opportunity" may be measured and it is certainly no solution to say that every area must be in a position to spend as much as the most prodigal area; (d) care must be taken to guard against the expenditure of public funds in uneconomic areas. A vigorous program of land utilization should be of assistance here.

After the best thought that the members of the Committee have been able to give to this much debated problem and after a thorough consideration of all the basic material, certain general conclusions have been reached

(1) With the revenues presently available, your Committee is unable to recommend that a larger share of provincial revenues should be devoted to education. Certain recommendations appearing elsewhere in the Report will, if adopted, put the municipalities in a better position to finance educational programs locally

(2) Your Committee is satisfied that the Department of Education is making an intelligent effort to assist education through the various grants described in this Part. Some of the devices are not without fault, but it would be difficult to characterize any experiment in this field as being open to severe criticism.

(3) It is suggested that an effort should be made to encourage a feeling of local responsibility. One prime difficulty seems to be that the municipalities, with the duty of making the tax levy, have no voice in the spending of the money. The reverse is true of the school district. Such a situation may well explain the rather extravagant resolution of the urban municipalities, considered in Section 8 above.

The suggestion has been made that the municipality might be given a power of veto in the case of expenditures for school purposes.

It has been further suggested that the school unit should itself be required to levy and collect the funds required for the unit. The Committee is not prepared to recommend either suggestion but believes both should receive further attention. The Van Vleet Committee may have some suggestions regarding this problem to offer when the report on boundaries is presented.

(4) The real solution of the equalization problem lies in the assumption of a substantial measure of responsibility by the government of Canada. This solution was in substance recommended by the Rowell Sirois Report. The implementation of that Report should be pressed for by all concerned.

PART V

Public Health and Welfare

1. INTRODUCTION

The group of services falling under the general heading of public health and welfare has become extensive, complex, and costly. These services are administered presently in Saskatchewan by the Department of Public Health and by the Department of Social Welfare and Rehabilitation.¹ The general trends characterizing these services are, first, the pronounced increase in governmental acceptance of responsibility for them over the past 80 years, and, second, the increased tendency of the province, and to a lesser extent of the Dominion, to assume a part of the responsibility for these services formerly borne by municipalities.

Canadian confederation and the British North America Act were designed to create a developmental and defensive state rather than a welfare state. The major responsibilities associated with this objective were assigned to the federal government. Matters which at the time of Confederation were regarded as of minor importance or which, at least, involved negligible financial burdens were assigned to the provinces. In the field of public welfare, only prisons, hospitals, asylums, charities and eleemosynary institutions were specifically enumerated in the British North America Act, and these were assigned to the care of the provinces. The provinces in turn delegated the major responsibility for public welfare services and for education to the municipalities and other local governmental institutions.

Generally speaking, until the end of the First World War the provinces along with the Dominion government were pre-occupied with developmental activities. During the inter-war years, however, the problems of public welfare assumed increasing importance and attracted an increasing proportion of governmental attention. Symbolic of this trend was the introduction of old age pensions by the Dominion government in co-operation with the provinces in the fiscal year 1928-29. The depression of the nineteen-thirties demonstrated the inability

of the municipalities, particularly in the prairie provinces, to cope with the requirements of social welfare, public health and education. The circumstances were, at the time, regarded as wholly exceptional and were dealt with on an emergency basis, the Dominion government assisting provinces and municipalities as the occasion demanded.

The basic constitutional allocation of responsibility for public health, welfare and education to the provinces has not been altered in any important respect to the present day. This leaves the provinces with burdens disproportionate to their financial capacity. It follows that important and reasonable demands of the citizens of the province and of their local representative governments may of necessity be forced to await reallocation of responsibilities as between the Dominion and provincial governments.

Turning more specifically to the Province of Saskatchewan, the provincial government has steadily expanded the range of activities and the monies expended in the field of public health and welfare. The expansion in certain instances clearly involved the assumption by the province of a part of the burden which had hitherto rested on the municipalities. In other instances the province assumed responsibility for burdens which had previously been left to the individual to bear as best he might with the uncertain and inadequate aid of private charity. An examination of the development of provincial health and welfare services would seem to indicate that the latter circumstance has been more common than the former. Even in cases where the provincial government has assumed all or part of a financial responsibility formerly borne by the municipalities it is extremely difficult to determine the dollar amount of the relief thus afforded to the municipalities. One important and obvious reason for this is that the quality, extent and coverage of any specific service are likely to change from time to time and are particularly liable to change upon the transfer of that service from one governmental body to another. To note, for example, that a particular health or welfare service which the province took over from the municipalities some years ago, now costs the province a million dollars a year, let us say, does not prove that the municipalities are therefore relieved of an annual burden

¹ The Department of Social Welfare became the Department of Social Welfare and Rehabilitation in 1949, *Statutes of Saskatchewan*, 1949, c. 10.

of a million dollars. It is possible that, had the service in question been left with the municipalities, they would be rendering it, less adequately but under the same name, for a substantially smaller sum.

The expansion of Saskatchewan provincial expenditures in public health and welfare has been greater than in other fields of governmental activity. When the province was formed public health and welfare accounted for approximately two per cent. of annual provincial expenditures. This percentage had increased to seven before the First World War, to 14 by 1920-21 and to 25 in 1930-31. For 1949-50 the estimated net expenditures for public health and welfare chargeable to revenue reached approximately \$17.6 million or more than one third of the total estimated provincial expenditure.

2. PUBLIC HEALTH

The following is an outline of the development of the major groups of health services in the province.

(a) General Health Services

At the time of the creation of the province, or very shortly after, a bacteriological laboratory was established and placed under the control of the Department of Agriculture. The laboratory remained in that department until 1917 when it was transferred to the Bureau of Public Health. This laboratory provides for the investigation of communicable and venereal diseases, the investigations required by the Sanitation Division, analysis in connection with liquor, gasoline and poisons legislation, and diagnostic services for rural physicians and hospitals. The dairy laboratory was taken over by the Department of Public Health from the Department of Agriculture in 1947.

The Division of Sanitation was established in 1920 with duties relating to urban and rural sanitation and sanitary engineering.

In 1918 legislative provision was made for the control of venereal diseases and in 1923 the Division of Communicable Diseases was organized. Federal grants were provided for venereal disease control in 1920, were discontinued in 1932 and were re-instituted in 1943. In 1921 clinics for free examination and treatment were established in Regina, Saskatoon, Prince Albert, Moose Jaw, Swift Current, Yorkton, Weyburn and North Battleford. A number of these were soon closed and others were later opened. Treatment centres have been established in provincial gaols and free drugs are available for the treatment of indigents. Since 1945 penicillin has been available

free to physicians for venereal disease control. The present Division of Communicable Disease Control continues the free distribution of sera and vaccines begun in 1918-19. The division co-operates with the nursing service and with health regions in carrying out immunization programs and co-operates with other divisions such as the Division of Child Health in the control and treatment of extraordinary epidemics such as poliomyelitis.

Other health services instituted or broadened in the inter-war years include the payment of maternity grants, the replacement of the school nurse program by an organized public health nursing program, and the introduction of provincial action in the care and treatment of cancer. The payment of maternity grants to indigent mothers distant from medical care was begun in 1920. The original allowances were \$12 for a doctor's services, \$8 for hospitalization and \$5 for the mother. In 1931 the entire grant was dropped and replaced by the issue of a layette, but the grant was re-introduced in 1934. In 1947 the hospitalization payment became unnecessary under the hospitalization plan. As for the public health nursing plan, it was introduced in 1928 when the Department of Public Health took over and expanded the duties of the School Hygiene Branch of the Department of Education. The public health nurses were placed in districts to provide pre-natal, pre-school and school health service and to assist in tuberculosis surveys and immunization programs.

Other divisions within the Department of Public Health are the Dental Health Division, the Nutrition Division and the Vital Statistics Division.

Under The Cancer Commission Act of 1930 (*Statutes of Saskatchewan*, 1930, c. 64) cancer clinics were established in Regina and Saskatoon and a radium plant was established at the university, all in 1931. Services were not free and the Commission provided diagnosis and radium and x-ray treatment on a fee basis. The provincial cancer service was reorganized under The Cancer Control Act of 1944 (*Statutes of Saskatchewan*, 1944, c. 78) to provide free medical care and hospital treatment for persons with six months' residence prior to admission to the cancer clinic. Though hospitalization has since the beginning of 1947 been covered by the general Hospital Services Plan, the province provides hospitalization for cancer patients not eligible under the plan and for extra hospital services required. Since the introduction of the federal health grants program in 1948 the Dominion government reimburses the Cancer Commission for its ex-

penditures on a dollar for dollar matching basis up to a maximum figure which is set annually by the Dominion government. The Dominion grant for 1949-50 was \$232,440, which was the maximum allowable to the province under the Dominion scale for that year.

(b) Mental Health Services

Committal and transportation of indigent insane have been financed by the province since its formation. Up to and including the fiscal year 1912-13 the province paid for the care of its mental patients in institutions in Manitoba. In 1913-14 the Battleford mental hospital and, in 1921-22, the mental hospital at Weyburn, were opened. In 1931 a psychopathic ward was opened in Regina General Hospital. In 1945-46 the School for Mental Defectives was opened in Weyburn. In the interest of prevention of mental illness, mental health clinics were established in Regina, Weyburn, Moose Jaw, Swift Current and North Battleford in 1947. Prior to January 1, 1945, payment for the care and maintenance of non-indigent patients was assessed against relatives or the patients' estates, with a maximum charge of \$1.50 per day. The cost of care and maintenance of indigents was borne by the province. Since January 1, 1945, care and maintenance have been provided without charge to those with 12 months' residence in the province. The provincial government made special provision for director-personnel, equipment and financing for the psychopathic ward (the Munro Wing) from the time of its establishment, and at the present time provides a director-psychiatrist, clerical assistance, hospital services not provided under the hospitalization plan, and covers any operating loss.

(c) Tuberculosis Prevention and Treatment

Provincial assistance specifically directed toward the prevention and treatment of tuberculosis dates from the legislative establishment of the Saskatchewan Anti-Tuberculosis League in 1911 (*Statutes of Saskatchewan*, 1911, c. 10). The League was empowered to erect, equip, maintain and operate sanatoria, and with the assistance of provincial advances the Fort Qu'Appelle Sanatorium was opened in 1917. In 1918 the Dominion government advanced \$300,000 for construction and equipment for the accommodation of veterans, and the province advanced \$430,000 for increased civilian accommodation.

Prior to 1923 the League was financed in the following ways: (1) In addition to con-

struction advances as mentioned above the Dominion government paid for the treatment of veterans. (2) The province made construction advances and paid 50 cents per patient per day to the League for all patients in the sanatorium, veterans and civilians. (An equal grant went to all Saskatchewan hospitals under The Hospitals Act, R.S.S. 1909, c. 27). (3) Non-indigent civilian patients paid their own expenses. (4) Municipalities were required to pay the expenses of their respective indigents as determined by a thirty days residence in the municipality. (5) In 1921 each municipality was required to pay a grant of \$100 minimum and \$500 maximum to support the Fort Qu'Appelle Sanatorium.

Significant changes in financial arrangements were effected by The Tuberculosis Sanatoria and Hospitals Act in 1923 (*Statutes of Saskatchewan*, 1923, c. 59). Under this Act the province cancelled advances to the League totalling \$467,132, paid a League bank overdraft of \$60,000 and took over all League property. Thus, since 1923 the province has built, equipped and retained ownership of all sanatoria. The League maintains the sanatoria and provides treatment. The provincial government at this time raised its grants to the League from 50 cents to \$1 per patient per day, and since 1927 this grant has been paid for patients under League treatment whether in sanatoria or in hospitals. Non-indigent civilian patients continued to pay for treatment. Municipalities continued to be responsible for indigents and were to continue the minimum grant of \$100 for sanatoria support.

In 1924 the Dominion government by agreement cancelled its grant of \$800,000 to the League, requiring the League to provide accommodation for 40 Indians for 15 years. The Dominion, however, continued to pay maintenance and treatment expenses of Indians.

In 1924 and 1925 legislative provision was made for the formation of rural municipal and urban municipal "pools", which could make annual agreements with the League concerning payment for the treatment of indigents. In 1927 urban municipalities were required to make an annual grant of ten cents per capita to the League for the treatment of indigent residents of municipalities which had entered into an agreement with the League concerning indigents.

In 1929 (*Statutes of Saskatchewan*, 1929, c. 61) provision was made that the care and treatment of all citizens of six months' residence should be provided by the League. The

province continued its grant of \$1 per patient per day. The balance was to be provided by the municipalities. In 1930 (*Statutes of Saskatchewan*, 1930, c. 84) the municipal levy was apportioned 40 per cent. to the urban and 60 per cent. to the rural municipalities.

The present basis for the financing of the treatment of tuberculosis patients is found in The Tuberculosis Sanatoria and Hospitals Act (*R.S.S.*, 1940, c. 316) as amended in 1950, (*Statutes of Saskatchewan*, 1950, c. 98). In accordance with this Act the province builds, equips and owns the sanatoria, of which there are three, at Saskatoon, Prince Albert and Fort Qu'Appelle. The League maintains the sanatoria and provides treatment. For this work the League is financed in the following ways: (1) The province grants the League \$1.50 per patient per day (this figure was \$1 until April 1, 1950). (2) The balance of the League's costs are assessed: a portion to be levied by the Department of Municipal Affairs against local improvement districts, the remainder to be apportioned 40 per cent. to urban municipalities and 60 per cent. to rural municipalities on the basis of the total equalized assessment as determined by the Saskatchewan Assessment Commission.

The League also conducts preventive work in the form of travelling clinics in co-operation with health regions, municipal health officers and the Division of Nursing Services. This work is financed by public contributions. As part of the preventive program the federal tuberculosis control grant has been used to provide for the installation and operation of fluoroscopic machines in ten of the larger hospitals in the province and for expansion of the admission chest-x-rays program.

The combined provincial and municipal expenditures on the maintenance and operation of tuberculosis hospitals in Saskatchewan compare very favourably with those in other provinces. On a per capita comparison of provincial populations the expenditures in 1947 were as follows: British Columbia \$1.42, Alberta \$.74, Saskatchewan \$1.24, Manitoba \$.94, and Ontario \$.80.

As for the provincial government's share of these expenditures, however, the comparison is unfavourable to Saskatchewan. In 1947-48 the Saskatchewan government's expenditure of \$298,078 was only 20 per cent. of the combined provincial and municipal total while in the same year provincial governments provided the following proportions of the respective totals in other provinces: British Colum-

bia 93 per cent., Alberta 100 per cent., Manitoba 32 per cent., and Ontario 98 per cent. In 1948-49 the Saskatchewan provincial share (\$288,682) had fallen to 18 per cent.

In comparison also with the record of the province in earlier years, the current provincial share of sanatoria expenditures in Saskatchewan is exceptionally low. Over the ten years from 1931 to 1940 the provincial contribution amounted to approximately 40 per cent. of the combined provincial and municipal total. From 42 per cent. in 1940 the provincial contribution fell to 31 per cent. in 1945, 26 per cent. in 1946, 21 per cent. in 1947, 18.5 per cent. in 1948 and less than 18 per cent. in 1949. The decline was caused by sharp increases in hospital operating costs while the provincial payment remained constant at \$1 per patient per day. This was increased to \$1.50 per patient day as of April 1, 1950, and it is estimated that this will raise the provincial proportion of total sanatoria expenditures to 25 per cent. In the opinion of the Committee this is too low and consequently a recommendation that provincial grants toward the care of tuberculosis patients be further increased will be made.

(d) Provincial Grants to Hospitals

Provincial grants to hospitals may be classified as: (i) grants toward operating costs, and (ii) grants toward the capital cost of hospital construction. These will be discussed in this order.

(i) Provincial grants toward hospital operating costs: from the passage of The Aid to Hospitals Act in 1906 (*Statutes of Saskatchewan*, 1906, c. 16) government aided hospitals in the province, whether private, municipal or union, were aided by a provincial grant of 50 cents per patient per day.^{*} In the fiscal year 1945-46 the provincial grants, exclusive of grants under The Tuberculosis Sanatoria and Hospitals Act, amounted to \$551,333.

Since January 1, 1947, government aid to hospitals has been provided for under the Hospital Services Plan, a province-wide hospital care insurance program. For the years 1947 and 1948 the revenues for this plan were pro-

* During the depression years of the nineteen thirties special grants were made under relief arrangements in addition to the basic grants. In 1945 The Aid to Hospitals Act was amended to divide hospitals into three classes with grants of 30 cents, 40 cents and 50 cents per patient per day. Under this amendment grants were paid in 1945 and 1946 on the basis of 50 cents to class A hospitals and 30 cents to class B hospitals, with the intermediate class dropped out.

vided by: (1) a provincial tax of \$5 per person with a maximum of \$30 per family, and (2) payments from the general revenues of the province including the costs of hospitalization of old age and blind pensioners, recipients of mothers' allowances, child welfare cases, indigents without municipal residence and cancer patients. Beginning with the year 1949, the tax rate was increased to \$10 for adults, dependent children under 18 years of age being taxed at \$5 per head with the maximum tax per family remaining at \$30, a family being defined as consisting of father, mother, dependent children under 21 years of age as long as they are attending educational institutions, and incapacitated children including those over the age of 21 years.

As for the financial relationships between the province and the hospitals under the plan, there has been considerable experimentation and modification since the plan was first introduced.

In 1947 when the provincial hospitalization plan first became effective the government undertook to pay for hospital services provided on a "point system." Under this system a stated number of points were assigned to the facilities and services provided by each hospital and the allowance per patient day was calculated accordingly. The rate per day was decreased after the first ten day period of hospitalization and again after the second ten-day period. While the point system had certain advantages it was discovered in the first year of its use that it was not entirely workable. A number of items of uncontrollable expenditure, reported by hospitals assigned exactly the same points, showed wide fluctuations. There was also a tendency on the part of smaller hospitals to acquire more equipment in order to qualify for more points. This could only lead to financial difficulties because of over-expenditure in relation to size of plant. Finally, unavoidable deficits occurred in many hospitals as a result of below average occupancy while surpluses arose in others. Toward the end of 1947 a policy was adopted of making additional payments to hospitals where the deficits incurred were obviously unavoidable.

In 1948 the basis of efficient cost of operation was adopted and the hospitals were required to submit budgets of estimated expenditure. On the basis of estimated total expenditures and estimated total patient days, an all-inclusive per diem rate for each hospital was established. Hospitals were classified into three groups: (a) with bed capacity of 50 and up, (b) with bed capacity of 15 to 49, (c) with bed capacity under 15.

Individual settlements regarding rates of payment were made with hospitals in group (a). Hospitals in groups (b) and (c) were to receive legitimate expenses of operation, the only variation being that in group (b) the government would not contribute beyond 80 per cent. of the deficit in each case whereas in group (c) the government would accept responsibility for 100 per cent. of legitimate deficits. Allowances per patient day with a reduced rate after each of the first two ten-day periods of hospitalization continued as the basic payment plan. Actually the above plan was not rigidly maintained as the government finally undertook to pay all legitimate deficits in nearly all cases.²

For 1949 it was decided to meet the reasonable cost of operation of all hospitals after allowing for added revenue from private and semi-private accommodation, non-benefit patients and casual sources. This plan requires careful scrutiny by the Saskatchewan Hospital Services Plan staff to ensure that operating costs in every case are legitimate. This policy, however, is preferable to that operating in 1948 as in that year test cases disclosed that deficits were created in part by a slackening of efficiency in the administration of some hospitals. A typical example was the attitude toward enforcing collection of extra charges. Lack of pressure in collecting these items resulted in heavier operating charges due to "bad debts"

² The Committee is informed that the deficits for which the government would not assume responsibility in 1948 totalled less than \$200,000.

TABLE 1

FINANCIAL TRANSACTIONS OF THE SASKATCHEWAN HOSPITAL SERVICES PLAN TOTAL REVENUES AND EXPENDITURES, PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, AND COST PER CAPITA OF COVERED POPULATION FOR THE CALENDAR YEARS 1947, 1948, AND 1949.

	1947 †			1948 †			1949		
	Total	Per Cent	Per Capita	Total	Per Cent	Per Capita	Total	Per Cent	Per Capita
REVENUES									
Hospitalization Taxes & Miscellaneous Revenues	\$ 3,780,859	50.1	\$4.85	\$ 3,788,515	41.2	\$4.38	\$ 5,815,962	56.1	\$7.61
General Funds of Province	3,771,704	49.9	4.83	5,466,378	58.8	6.97	4,574,482	43.9	5.97
Total Revenue	\$ 7,552,563	100.0	\$9.68	\$ 9,254,893	100.0	\$11.35	\$10,410,444	100.0	\$13.58
EXPENDITURES									
Hospitalization Expense	\$ 6,963,258	92.1	\$8.92	\$ 8,632,778	93.3	\$11.11	\$ 9,887,678	95.0	\$12.90
Administration Expense	597,595	7.9	.76	572,115	6.2	.74	522,766	5.0	.68
Total Expenditures	\$ 7,560,853	100.0	\$9.68	\$ 9,204,893	100.0	\$11.85	\$10,410,444	100.0	\$13.58

† Adjusted to take account of retroactive increases in hospital rates.

Source: Report on Operations of the Saskatchewan Hospital Services Plan for the year ended December 31, 1949. Sessional Paper No. 57, Session 1950, (Regina, 1950), p. 27.

Table I, summarizing the financial experience of the Hospital Services Plan, indicates the sharp increase in hospitalization costs which has characterized the period since the inauguration of the plan in Saskatchewan. Total and per capita costs were approximately 40 per cent higher for 1949 than for 1947. The Table also indicates important facts concerning the origins of the revenues necessary to meet hospitalization costs. For the year 1947 the funds were derived in almost equal proportions from the hospitalization tax and the general revenues of the province. For the year 1948 the hospitalization tax, still at its original level of five dollars per head, provided only 41 per cent of the necessary revenues. With increased rates for 1949 the total revenues derived from the hospitalization tax increased by more than 50 per cent, and these revenues covered 56 per cent of the total costs of the Hospital Services Plan.

When considering that portion of the costs of the plan chargeable to general provincial revenues it must be kept in mind that this includes payments attributable to programs undertaken by the provincial government before the introduction of the Hospital Services Plan and now absorbed within the plan. It is estimated by officials of the plan that, had

these programs been continued separately, the expenditures for them would have been as follows for the year 1949:

Per diem grants to hospitals	\$ 888,673
Hospitalization of cancer patients	572,987
Hospitalization of social welfare cases	1,116,813
Total	\$2,578,473

It will be noted that this sum represents more than half of the \$4,574,482 chargeable to the general revenues of the province in 1949.

In view of the continued heavy reliance of the hospitalization plan upon provincial revenues the government in the 1950 session sought new sources of revenue for the support of hospital services. Effective April 1, 1950, The Education Tax, converted to The Education and Hospitalization Tax (*Statutes of Saskatchewan, 1950, c. 20*) was increased by 50 per cent. That is, the tax on purchases within the province, with specified exceptions such as foods and foodstuffs, fuel and agricultural implements and supplies, was increased from two to three per cent. It is estimated that this increase will yield a net sum of \$3,150,000 for the fiscal year 1950-51.

As noted above, payments were made to hospitals in 1949 on a basis designed to cover reasonable costs of operation. These costs were

* Report on Operations of the Saskatchewan Hospital Services Plan for the year ended December 31, 1949. Sessional Paper No. 57, Regina, 1950, p. 29.

calculated to include a depreciation allowance but not interest on borrowed money or on capital investment. The maximum depreciation rates allowable were five per cent. for frame buildings, two and one-half per cent. for brick and two per cent. for reinforced concrete structures. For equipment a schedule which averaged between six and seven per cent. was applied.

It has been proposed that depreciation allowances be based on a flat four per cent. of the value of buildings and all equipment.¹ This proposal would appear to have both advantages and disadvantages. The question of depreciation allowances, however, raises the entire problem of an equitable allocation of the capital costs of hospital facilities over the population of the province. This problem is presently under consideration by the Health Survey Committee of the Health Services Planning Commission. It is a problem of such widespread ramifications that its solution will require the most intensive study by that Committee as well as by all interested groups within the province.

Interest on borrowed money, whether for short or long term loans, is not recognized by the Saskatchewan Hospital Services Plan as a cost to be met by the plan. This item of cost must be met from revenue derived from other sources. If the other revenues of a particular hospital are negligible or insufficient to meet interest and other disallowed costs a real problem is created, particularly for the private hospital. Municipal hospitals can resort to a tax levy. In the case of private hospitals operated by religious orders much of their financing is secured from the head office of the order, and to that degree interest charges would be an internal item. In the case of other private hospitals, which are not endowed, but of which there are very few in the province, interest costs may create a problem. Undoubtedly the present high level of occupancy of available hospital beds has tended to minimize or eliminate this problem for the time being.

It may also be stated that in hospitals operated by religious orders an allowance is made for reasonable salaries as an operating cost in respect of all those persons employed in the hospital who are members of the order.

¹ H. M. Jackson, City Clerk and Treasurer, of Yorkton, has given this matter a great deal of careful study. He has urged this change in financial arrangement upon the Committee on various occasions and particularly in a memorandum under date of June 12, 1950.

In general, the aim of the province under the hospitalization plan is to meet the "reasonable costs" of hospital operation on a public ward basis. Payment of the hospital tax entitles the taxpayer to public ward accommodation. The hospital is entitled to charge the patient for the extra cost of semi-private or private ward accommodation and for out-patient service. The revenues from these additional services are deducted in the calculations used to determine the revenue requirements of the individual hospital and the rates of payment by the department are negotiated on a public ward basis. Deficits which occur in the operation of an individual hospital after the government's payment is taken into account may be met in whole or in part if investigation does not reveal that the deficiency is attributable to inefficiency or low occupancy.

(ii) Provincial grants toward hospital construction costs: in the fall of 1944, the provincial government inaugurated a program of grants-in-aid to assist areas outside the larger cities in constructing new and extending existing hospital facilities. In the fiscal year 1944-45 the appropriation for this purpose amounted to \$50,000, in 1945-46 to \$100,000, in 1946-47 to \$250,000, and for each fiscal year since then, \$300,000. In 1949-50 an additional \$101,000 was authorized by special warrant. By the end of the fiscal year, 1949-50, \$1,380,584 had been expended under this program providing financial assistance for 87 hospital construction projects.

In general, these funds were made available on an equalization basis, with the percentage of total cost represented by the provincial contribution ranging from approximately ten per cent. in high assessment areas to as much as 80 per cent. in low assessment areas. The average contribution to projects outside the larger cities was approximately 18 per cent. of total construction costs. The contribution has ordinarily been a grant, although some loans have also been made.

In the fiscal year 1947-48 an added program of assistance toward capital costs of improvements in diagnostic equipment and facilities was undertaken. Use of these funds, amounting to \$20,000 annually, has been restricted to hospitals in organized health regions, with priorities to regional and district centres.

In 1948 the Dominion government announced a program of grants-in-aid for hospital construction, to be distributed to the provinces on the basis of population, and allocated to individual hospital projects in the maximum amount of \$1,000 per additional bed for active

treatment hospitals or \$1,500 per bed for hospitals for the chronically ill. The total of such grant may not exceed one third of the total cost of each project. The province is required to match these Dominion contributions. The municipal associations, the Saskatchewan Hospital Association, and the Provincial Health Survey Committee have made representations to the Dominion government urging the adoption of a more flexible grant formula to permit the making of a larger grant per bed and to broaden the use of the grant to include nurses' residences, diagnostic facilities, etc.

An appreciable proportion of the hospital facilities in Saskatchewan has been provided by union hospital districts made up of co-operating municipalities. Municipalities were first authorized to form union hospital districts in 1916 (*Statutes of Saskatchewan*, 1916, c. 12). The legislation was amended in 1917 and in 1918. Construction of such hospitals has been financed ordinarily by debenture issues. Maintenance and operation have been covered by fees and taxation. Deficits are the responsibility of the co-operating municipalities as allocated by the Local Government Board. As far as operating costs are concerned, these hospitals now operate within the provisions of the Hospital Services Plan.

The number of union hospitals in the province has been increased greatly within recent years. In 1944 there were 26 union hospital districts in Saskatchewan. At the end of 1949 there were 34.

(e) Services Provided by the Medical Services Division

Since January 1, 1945, the province has provided medical, nursing, dental and allied services and hospitalization for old age and blind pensioners, those in receipt of mothers' allowances and for wards of the province. About 30,000 residents are now covered under this provision. Since May 1, 1944, the province has provided hospitalization and care of resident cancer patients and since January 1, 1947, the hospitalization for both of these groups has been provided under the Hospital Services Plan. The province also provides medical services and hospitalization for destitutes and social aid cases without municipal residence.

For 1949-50 the estimated expenditures for medical services, including services for old age pensioners and related groups, destitutes, social aid cases and correction and rehabilitation cases, amounted to \$831,940. It should be noted that this is in addition to the \$1,116,813 ex-

pended for the hospital care of social welfare cases by the Hospital Services Plan.

(f) Regional Health Services

The Health Services Act of 1946 (*Statutes of Saskatchewan*, 1946, c. 81) authorized municipalities to co-operate in the formation of health regions for the provision of preventive and, at their option, curative health services.* In 1946 and 1947 six health regions were established. Health Region No. 1, at Swift Current, provides both preventive and curative services, and Health Region No. 3, at Weyburn, introduced a dental service commencing in 1949. The others provide preventive service only.

For preventive services the Department of Public Health supplies and controls medical health officers, nurses, sanitary officers and secretarial staff, and the Department of Public Works provides office accommodation for the regional headquarters. One third of the cost of the service, other than for office accommodation, is borne by the constituent municipalities. In the Meadow Lake Health Region the province bears the total costs. Special provision is made for large cities which had previously maintained public health services. This provision, which applies to Moose Jaw, places on the city the responsibility to repay to the provincial treasury one half of the cost of the public health services in the city as determined by the proportion of the city's population to that of the entire region.

Health regions established under the legislation of 1946 may provide curative as well as preventive services, the former including general practitioners' and specialists' services, dental care, and out-patient hospital services not covered by the hospitalization plan.

The province assists in the financing of curative services in health regions by grants made on the following basis: (a) a grant of 25 cents per resident of the region per year, (b) an equalization grant which may vary up to \$2 per capita in relationship to the per capita assessment in the region, and (c) 50

* In 1928 The Public Health Act was amended to make provision for the formation of "Full Time Health Districts." One was established in the Gravelbourg district on March 12, 1929, but was disbanded on March 12, 1932. The district included eight rural municipalities, one town and 15 villages and employed a Medical Health Officer, a Sanitary Officer, a Public Health Nurse and a Secretary. The service was solely preventive. The province contributed one half of the cost.

per cent. of the cost of diagnostic and consultative services, of dental care of school children under 16 and of hospital out-patient services. The province made a special grant to Health Region No. 1 to cover part of the deficit resulting from its first year of operation.

(g) Medical Care Grants to Municipalities not in Health Regions

Legislation has existed in Saskatchewan since 1916 providing for municipal assistance toward the maintenance of medical services. Under this legislation which has been amended from time to time municipalities have made grants to doctors and nurses and have hired municipal doctors and dentists either for individual municipalities or for groups of co-operating municipalities. In 1945, 118 municipalities were providing hospital services and approximately 117 municipalities were providing medical and surgical services in varying degrees. When the Saskatchewan Hospital Services Plan was introduced in 1947 the hospital benefits of municipal or regional schemes were absorbed in the provincial plan.

On July 1, 1945, provincial grants were made available for municipal medical schemes, in part on an equalization basis, in order to remove or reduce wide variations in municipal services. The grants are calculated on the basis of 25 cents per capita per year, plus an equalization grant up to two dollars per capita per year. Of the municipalities which were providing medical services in 1949, 78 rural municipalities, embracing 12 towns, and 31 villages met the regulations in order to qualify for provincial medical care grants.

(h) Far North Division

The northern area of the province, including some local improvement districts, and known as the Northern Administration District, does not come under the Saskatchewan Hospital Services Plan though residents of the area may purchase hospitalization cards on a voluntary basis. The provincial government nevertheless provides hospitalization, medical and dental treatment and transportation for indigents in this area. The government is also taking over and maintaining the outpost hospitals in the north which had formerly been operated by the Canadian Red Cross Society. Three-bed outpost hospitals are thus maintained at Cumberland House, Island Falls (Sandy Bay), Stoney Rapids (since January 1, 1947) and Buffalo Narrows (since July 1, 1947). Each hospital is staffed by one public health nurse on provincial salary. The government also makes grants and provides all

medicines, drugs and surgical supplies to Roman Catholic hospitals in the area. The provincial estimates for 1950-51 include the vote for these services, entitled "Relief to Destitutes and Operation of Northern Outpost Hospitals", amounting to \$79,210.

3. SOCIAL WELFARE

Within the field of social welfare the main areas of provincial assistance are the following: (a) general welfare services such as child welfare and the care of the aged and infirm, (b) mothers' allowances, (c) old age and blind pensions, (d) social aid, and (e) the provision of gaols and the maintenance of prisoners.

(a) General Welfare Services

(i) Care of Wards

Care of neglected and dependent children in Saskatchewan was originally left to voluntary children's aid societies with a measure of provincial supervision. These societies were supported by municipalities, by private subscription and by provincial grants. By 1916 only four of these societies remained and the Bureau of Child Protection was required to carry on much of the work and to contribute to the costs of maintaining the children in private institutions or foster homes. Municipalities have been held responsible for a portion of such costs — a minimum of \$2 per child per week before 1917, \$3 weekly from 1917 to 1919, and \$3.50 since 1919, the exact figure to be set by court order in each case.

The province now operates all children's aid institutions with the exception of one operated by the Saskatoon Children's Aid Society, to which the province contributes, and certain church institutions. The institutions operated by the province include the following: the Babies' Shelter in Regina and the Receiving Home in North Battleford, both opened in 1946, Embury House in Regina and the Children's Shelter at Green Lake, the latter for Metis children, both opened in 1947. Children are sent to these institutions until they can be placed in foster homes or for adoption.

Since 1945 the province has assumed full responsibility for the maintenance of illegitimate children without means of support. The province spent approximately \$105,000 on these children in the fiscal year 1947-48 and approximately \$94,400 in 1948-49.

Memorandum, Deputy Minister of Social Welfare to the Committee, September 8, 1949.

About 2,000 children are wards of the province at the present time. Total cost of care of such wards in 1948-49 (including maintenance, clothing, medical and hospital care and miscellaneous) was \$401,417 of which amount \$45,870.80 was received from municipalities, towns and villages. In 1945 provision was made for the care of children who were not wards of the province but who for reasons other than neglect, such as illness or misfortune of the parents, were in need of temporary assistance. At present approximately 100 children are thus being cared for but the number is expected to increase. Parents are expected to contribute to their support if possible.

The Child Welfare Branch has supervised adoption proceedings for many years and has sought to further the interests of children born out of wedlock by assisting in filiation proceedings against alleged fathers.

The provincial government has shown a willingness to assume an increasing share of the responsibility for neglected and dependent children. The Committee suggests that the government seriously consider assuming full financial responsibility for such children when the fiscal position of the province permits.

In relation to juvenile delinquency the province maintained juvenile courts for a number of years until the late nineteen thirties. The province currently provides preventive and probationary services and provides for the maintenance and training of children confined to detention homes such as the Industrial School for Boys and the Girls Hostel, the latter opened in 1947. The cost of maintenance may be assessed against the municipality of residence but in practice is almost always borne by the province.

Since 1950 the province has paid transportation costs to, and maintenance and tuition in, the Ontario School for the Blind, for blind children from the province. Twenty-four children are thus cared for at present.

The child welfare field service has operated for many years but its activities have been considerably expanded since 1945. Officers of this branch investigate juvenile delinquency and delinquent homes with a view to rehabilitation. They also inspect foster homes.

(11) Care of Aged and Infirm

The province has operated a home for the infirm at Wolsely since 1915, and a nursing home at Regina since 1947. A maintenance charge of \$40 per month is made for residence in these homes. If the inmate is unable to pay

this charge the province and the municipality in which the inmate has residence share the charge equally between them. The province bears 100 per cent. of the costs over and above the \$40 per month.

In September, 1949, the composition of the two homes was as follows: *

Old age pensioners	100
Self-supporting	25
Shareable cases, municipalities	
paying 50%	38
Government cases, 100%	22
	<hr/>
	185

In addition to the provision for care of the aged in the two governmental homes, the province shares with individual municipalities the cost of caring for aged and infirm in private homes and institutions. The rates allowed and paid for care in these institutions vary widely, depending on the type of service given and upon the health and condition of the individual. Many of the homes are merely boarding homes while some provide nursing services and bed care. The province and the municipality each pay one-half of the rate established by agreement.

(b) Mothers' Allowances

Mothers' allowances have been paid by the province since April 11, 1918. Originally the payment was made only to poverty stricken widows, the payment in each case to be determined by the Lieutenant-Governor in Council. A regulation providing for the recovery of a maximum of \$3 per week from the municipality was repealed in 1921. In 1919-20 mothers whose husbands were incapacitated or were inmates of an institution for the insane or a prison were included.

The scale of mothers' allowances has been changed from time to time. No definite schedule of such allowances was established until October 17, 1931, when provision was made for the payment of \$8 per month to a mother with one child, with \$4 for each additional child up to a maximum of \$50 per month for seven or more children. In February, 1936, the schedule was extended to provide \$4 per month for each child up to ten, the maximum payment to be \$44 per month. On April 30, 1942, payments were increased to \$10 for a mother and one child, \$5 each for the second and third, and \$4 for each additional child up to a maximum of \$48 per month for ten or

* *Ibid.*

more children. On July 12, 1943, each of the above payments was increased by \$2.50 per month, starting at \$12.50 with a maximum of \$50.50 per month.

On May 1, 1944, the present schedule went into effect. Fifteen dollars is paid for the first child, \$10 for the second and \$5 for each additional child up to ten. A significant change on May 1, 1945, was the introduction of a provision for the payment of \$10 per month for the mother herself and an equal payment for an incapacitated husband living at home. On the same date, unmarried mothers, deserted and divorced mothers became eligible for the allowances. Prior to 1945 a few persons in these categories had received such payments but only by special orders-in-council. A maximum outside income of \$45 per month, not including Dominion family allowance, is allowed to recipients of mothers' allowances, the excess over this sum being deducted from the provincial grant.

Since July 1, 1945, the province has provided free medical and hospital care for recipients of mothers' allowances.

(c) Old Age and Blind Pensions

Since May, 1928, the province of Saskatchewan has shared in the payment of old age pensions by agreement with the Dominion government. The original agreement provided that the province should pay administrative costs and 50 per cent. of the pension, the Dominion to pay the other 50 per cent. The pension was payable to British subjects over 70 years of age with 20 years residence in the province. The maximum pension was \$20 per month and pensioners were allowed a maximum income of \$365 per annum including pension.

On July 1, 1931, the allocation of costs was altered, the Dominion assuming 75 per cent. of the cost of the pension, leaving 25 per cent. plus administrative costs to the province. After November 15, 1937, blind persons over 40 years of age were included in the plan with the same allocation of the cost as for the old-age group. In 1947 the age minimum for blind pensioners was reduced to 21 years.

Since the middle of 1943 the scale of pensions has been altered from time to time both by increase in the basic pension and by the addition of supplementary payments made by the provincial government. At the present time (June, 1950) the basic pension is \$40 per month, shared 75-25 per cent. by the Dominion and the province respectively. The province pays administrative costs and adds a supplementary payment of \$2.50 per month. Not all

pensioners receive all or any of this allowance, some being affected by the maximum income rule. During 1949, 55 per cent. of all pensioners in the province received the full supplementary allowance, 25 per cent. were receiving partial supplementary payment, and the remaining 20 per cent., none at all.* There are now approximately 15,000 aged and blind persons in receipt of pensions in Saskatchewan.

Table II indicates the trend in the cost of old age and blind pensions to the province.

TABLE II
SASKATCHEWAN SHARE OF OLD AGE
AND BLIND PENSION COSTS FOR
SELECTED FISCAL YEARS,
1928-29 TO 1950-51

1928-29	\$ 293,981
1931-32	684,000
1936-37	674,000
1941-42	886,000
1947-48	1,708,000
1950-51 (estimate)	2,721,000

As stated above in the discussion of Public Health, since July, 1945, the provincial government has provided free medical and hospital care for old age and blind pensioners.

(d) Social Aid

Direct relief in the past has been looked upon as a responsibility of the municipalities under normal conditions. In Saskatchewan special assistance has been extended by the province on several occasions. In 1914 the province granted 50 per cent. of the cost to certain urban municipalities, and in 1921 the province and the Dominion each undertook one third of certain relief costs. During the nineteen-thirties the province and the Dominion provided extensive assistance on a basis which changed from year to year. It has been estimated " that over the years from 1931 to 1937, and excluding the Dominion contribution, the provincial share of direct relief expenditures was 85 per cent. and that of the municipalities 15 per cent. During the nineteen-thirties responsibility for relief was more clearly defined, the province undertaking the care of transients and the municipalities sharing equally with the province in the care of those able to meet a municipal residence requirement of one year. The province has been responsible for direct relief in local improvement districts since 1919.

* *Ibid.*, p. 8.

" H. C. Goldenberg, *Municipal Finance in Canada*, (Ottawa, King's Printer, 1939), p. 69.

At the present time the province assists in the provision of food, fuel, clothing and shelter to needy persons, that is to unemployables, those temporarily unemployed not under Dominion Unemployment Insurance, and those in distress as a result of fire and flood, etc. The division of costs is as follows:

- (i) In municipalities for persons meeting a one year's residence requirement, 50 per cent. by the province and 50 per cent. by the municipality.
- (ii) For transient families and single homeless in the province 100 per cent. by the province.
- (iii) In local improvement districts, 100 per cent. by the province.
- (iv) For Metis and Mennonites congregated in certain areas and for northern settlers (some of them in northern rural municipalities) 100 per cent. by the province.

A rehabilitation program for certain relief recipients has also been undertaken:

- (i) Since January, 1947, the province has borne the administration costs and 50 per cent of all other costs of a rehabilitation program for unemployables (handicapped and crippled persons). Municipalities are invited to contribute 50 per cent.
- (ii) The Lebret Farm, operated in the interests of the Metis for many years by the Oblate Fathers and partially subsidized by the province, was taken over by the province in 1945.

A number of municipalities particularly in the northern part of the province are faced with a special problem in terms of public health and welfare as a result of an unusually heavy concentration within their borders of "squatters". These persons contribute little or nothing to municipal revenues and are likely to impose a heavy burden of indigence. The province does not accept exceptional responsibility for any minority group as such but has found it necessary to assist municipalities with an abnormal concentration of Metis, Mennonites or pioneer settlers. In such circumstances the province, as already noted, provides 100 per cent. of the social aid costs for food, fuel, clothing and shelter. Medical and hospital costs remain the responsibility of the municipality. As of September, 1949, 21 rural municipalities, four villages and one town had been approved for special consideration on the basis of Metis concentration." The residual

burden of medical and hospitalization costs and incidentals may exceed a reasonable financial burden for the municipalities and, indeed, be one beyond their capacity to bear.

The Committee feels that there may be an anomalous distinction in the allocation of responsibility for social aid in the local improvement districts as compared with the municipalities and suggests that consideration be given to the sharing of social aid responsibility in the local improvement districts on the same basis as in the municipalities.

The Committee is of the opinion that, in the interests of operating efficiency, the administration of social aid should properly be performed by the local governing units, and that, therefore, the location of administrative authority and the existing division of financial responsibility for social aid should not be changed.

(e) Provision of Gaols

The province has constructed, administered, and operated the gaols established at Regina, Mooseomin and Prince Albert under The Gaols Act of 1906. In 1947 these institutions were transferred from the Department of Public Works to the Department of Social Welfare. Since that time there has been an increasing emphasis on rehabilitation training in the gaol program.

4. COMPARISON OF EXPENDITURES: SASKATCHEWAN AND OTHER PROVINCES

Expenditures made by the Saskatchewan provincial government on public health and welfare are large both absolutely and relatively compared with other provinces. This is true not only for the expenditures for these services taken as a whole but also, with one or two possible exceptions, for individual services in each field.

Relevant comparisons may be made by reducing the expenditures to a per capita basis and then comparing the per capita figures by provinces. It is readily conceded that errors may exist in the details of the calculation despite the utmost care taken to assure comparability of the items. Nevertheless the contrasts shown are so striking that their existence in greater or lesser degree can scarcely be questioned.

For the fiscal year 1947-48 the net expenditures of the Saskatchewan government on health and welfare services totalled \$14,355,000

—
" Memorandum, Deputy Minister of Social Welfare to the Committee, p. 11. September 8, 1949.

or 32.6 per cent. of the total net expenditures of the provincial government on all services. Table III shows the comparison of these figures with those for the other western provinces and Ontario and also shows the comparison on a per capita basis. These figures include expenditures on general health services, cancer services, mental health services, tuberculosis,

hospital grants, medical and hospital services to recipients of public assistance, maternity hospital services, general social welfare services, mothers' allowances, old age and blind pensions and social aid. Construction expenditures on homes for the aged, mental institutions, sanatoria and general hospitals are not included.

TABLE III

COMPARISON OF NET EXPENDITURES ON HEALTH AND WELFARE BY VARIOUS PROVINCES FOR THE FISCAL YEAR 1947-48*

	Total (Thousands)	Per Capita	Health and Welfare Expenditures as a percentage of Total Net Expenditures on all Provincial Services
British Columbia	\$ 16,493	\$ 15.79	22.3
Alberta	8,236	10.02	21.1
Saskatchewan	14,355	17.02	32.6
Manitoba	4,507	6.06	17.5
Ontario	31,103	7.41	16.6

* To facilitate comparison certain items, such as construction costs, have been omitted.

Sources: *Public Accounts of the respective provinces* and *population estimates of the Dominion Bureau of Statistics.*

It can readily be seen from this Table that the expenditures of the Saskatchewan provincial government on health and welfare far surpassed those of the other prairie provinces whether considered in absolute terms, on a per capita basis, or as a percentage of total provincial expenditures. Outside of the prairie region British Columbia and Ontario spent more in absolute terms on these items than did Saskatchewan. This brought British Columbia's per capita expenditure close to that of Saskatchewan but left Ontario far behind. In terms of the percentage of public health and welfare expenditures to total provincial expenditures none of the four other provinces examined came at all close to Saskatchewan.

(a) Health Services

Comparisons of individual items or groups of items show in general the same contrasts. Separating health services from welfare services the comparison for the former is as follows: on health services the net Saskatchewan expenditure for 1947-48 stood at \$11.21 per capita which was twice as high as the average per capita figure for the other western provinces and Ontario. Although Saskatchewan's total net expenditure on health has remained relatively constant since 1947-48 while the other provinces, particularly Alberta, have increased theirs, the Saskatchewan per capita

figure for 1949-50 was still approximately half as large again as was the average per capita figure for Manitoba and Alberta.

The health services heading may, for purposes of inter-provincial comparison, be broken down into the following subheadings: (i) General Health Services, (ii) Mental Health Services, (iii) Tuberculosis Services, (iv) Hospital Grants, and (v) Medical and Hospital Services for Recipients of Public Assistance.

(i) General Health Services. For 1947-48 Saskatchewan's provincial expenditure on this group of services was \$1.98 per capita. This figure was twice the average of the other four provinces (British Columbia, Alberta, Manitoba and Ontario), and two-thirds above the average of the other prairie provinces. Rising expenditures, however, in the other provinces mentioned, and a slightly lower net expenditure in Saskatchewan (mainly as a result of Dominion assistance for cancer services) have brought the Saskatchewan per capita expenditure fairly close to the general provincial average. The estimates for 1949-50 place Saskatchewan's per capita expenditures on general health services at about four per cent. above the average for Alberta and Manitoba.

(ii) Mental Health Services. Saskatchewan's per capita expenditure on this item, at

\$3.65 for 1947-48, was 70 per cent. above the average of the other four provinces and 85 per cent. above that for the other prairie provinces. Since 1947-48 this expenditure has increased in all provinces but the 1949-50 net expenditure of \$4.40 per capita in Saskatchewan was 70 per cent. above the average for the other prairie provinces.

(iii) *Tuberculous Services*—This is the one important service in the field of health and welfare for which Saskatchewan's provincial expenditures are below, and substantially below, the expenditures of other provinces on a per capita basis. In 1947-48, at 35 cents per capita (or \$1 per patient per day) for operating grants, the Saskatchewan figure was 44 per cent. of the average of the other four provinces dealt with in this comparison, and 70 per cent. of the Manitoba-Alberta average. The estimates for 1949-50, still at 35 cents per capita in Saskatchewan, were only 50 per cent. of the estimated per capita expenditures of the other two prairie provinces. The increase in the per patient day grant by the Province of Saskatchewan as of April 1, 1950, from \$1 to \$1.50 will modify the above comparison. It is estimated that with the new grant the province will provide 25 per cent. of the cost of tuberculous treatment in the province leaving 75 per cent. for the municipalities. In comparison with this the province of Alberta provides free care, the province of British Columbia provides upwards of 80 per cent. of the cost and the province of Manitoba provides approximately 30 per cent. of the cost.

(iv) *Hospital Grants*—Provincial hospital grants in Saskatchewan greatly exceed such grants in other provinces. In 1947-48, the first year in which the Hospital Services Plan was in operation, the Saskatchewan provincial contribution of \$4.32 per capita was almost four times the average of the other four provinces used in this comparison and almost five times that of Alberta and Manitoba. Since that time British Columbia has increased its assistance under the Hospital Insurance Plan, the expenditures of the other provinces, especially Ontario, have also increased and the provincial share of total costs in Saskatchewan has been reduced. Nevertheless the Saskatchewan expenditures for 1949-50 as estimated were \$3.75 per capita or still approximately four times the Manitoba-Alberta average.

In 1947-48 Saskatchewan expenditures on construction grants to hospitals were approximately on a par with British Columbia. Manitoba and Alberta made no construction grants. All provinces are now sharing in

the Dominion-Provincial construction grants. Information is not available at present regarding the relative proportions of such expenditures.

(v) *Medical and Hospital Services for Recipients of Public Assistance*—Saskatchewan's provincial expenditures on these services at 91 cents per capita in 1947-48 was approximately double the average for the other four provinces. For 1949-50 the per capita estimates of Saskatchewan, Alberta and British Columbia were approximately equal while those of Manitoba and Ontario remained much smaller.

(b) *Social Welfare*

(i) *General Welfare Services*

This group of services includes child welfare, care of the aged and infirm, welfare field workers and reform institutions. Saskatchewan's 1947-48 expenditures on these services at \$1.52 per capita were more than twice as large as the average for the other four provinces and more than three times the Manitoba-Alberta average. For the year 1949-50 Saskatchewan's expenditures were still very high in comparison with those of other provinces.

(ii) *Mothers' Allowances*

Here again, in 1947-48 Saskatchewan's per capita expenditures at \$1.22 were double the average of the other four provinces. Since that time Alberta has reduced the municipal share from 25 to 20 per cent. and has granted a supplementary allowance. In all provinces provincial expenditures have increased. Nevertheless Saskatchewan's estimates for the year 1949-50 were still materially higher than Alberta's and those of the other provinces.

(iii) *Old Age Pensions*

In 1947-48 Saskatchewan's expenditures at \$1.95 per capita were somewhat below the average for the other four provinces and approximately equal to the prairie province average. In that year Saskatchewan paid a supplementary allowance for only one month. At the same time Alberta municipalities were paying \$2 per pensioner and Manitoba municipalities were contributing an amount equal to 50 per cent. of the provincial share of the basic pension. Alberta and Manitoba municipalities do not now contribute. Saskatchewan is now spending considerably less per capita than Alberta and British Columbia. The provincial contribution in Saskatchewan, calculated both on a per capita and per pensioner

basis, is somewhat higher than in Ontario and substantially higher than in Manitoba.

(iv) *Social Aid (Combined Direct Expenditures and Grants)*

Saskatchewan's 1947-48 per capita figure for this service at \$1.12 was 40 per cent. above the average of the other four provinces and four and one-half times as large as the Alberta-Manitoba average. Since provincial expenditures varied so widely in this matter, however, the over-all comparison may be misleading. For the above fiscal year Saskatchewan's per capita expenditure was one half of that of British Columbia, two and one half that of Ontario, almost four times as high as Manitoba's and almost six times Alberta's.

Since 1947 Alberta has accepted responsibility for 60 per cent. of municipal expenditures on social aid and Manitoba has provided for a grant of \$300,000 to aid municipalities. Likewise, expenditures on provincial cases have increased in all provinces through increased schedules of allowances and increased numbers of cases. For the current year Alberta is spending only slightly less per capita than Saskatchewan, and Manitoba about half as much.

5. SUMMARY AND CONCLUSIONS

A study of the public health and welfare services provided by the Saskatchewan government points to a number of general conclusions. First, these services have expanded steadily since the province was formed but particularly over the past 30 years. This expansion has absorbed an increasing proportion of provincial revenues and, particularly within the past decade, has involved a marked increase in cost per capita of the provincial population. For the fiscal year 1947-48 the provincial expenditures on public health and welfare services in Saskatchewan amounted to \$17 per capita which represented approximately 32.6 per cent. of the total net expenditures of the provincial government.

Second, the expenditures of the Saskatchewan government on public health and welfare are heavy not only in total and on a per capita basis but also in relation to the expenditures made by other provincial governments on the same or similar services. The marked expansion in health and welfare activities which occurred in Saskatchewan after 1944 placed this province in the lead over other provinces in a number of important respects within these fields of government service. Since 1947 the other provinces have taken steps year by year

which have narrowed the gap in some respects. With one or two minor exceptions, the public health and welfare services offered by the Saskatchewan government compare favourably in terms of generosity by an appreciable margin with those provided by other provincial governments.

Third, the expansion of provincial activities in the field of public health and welfare has relieved the municipalities of financial responsibility in substantial measure. As pointed out earlier in this chapter, the extent of this relief cannot be determined with any degree of accuracy because both the nature of social problems and the methods and costs of their solution are constantly changing. Nevertheless significant areas can be indicated in which financial burdens have been transferred from the municipalities to the province. A substantial part of the increase in the responsibilities accepted by the province in recent years appears, on the surface, to involve a transfer of such responsibilities directly from the individual to the province. The municipal responsibility in many cases was only of a contingent nature and provincial intervention, it might be argued, relieved the individual rather than the municipality in which he resided. Thus, for example, old age and blind pensioners were responsible for their own hospitalization and medical care prior to 1945 at which time the province assumed this responsibility. The individual rather than the municipality secured the nominal, and in many cases the actual, relief in this instance. The same might be said for the assumption of responsibility by the province for the hospitalization and medical care of cancer patients in 1944, and for that of recipients of mothers' allowances and child welfare cases in 1945.

Nevertheless it would be wrong to assume that the municipalities have not benefited by extensions of provincial activity such as those mentioned above. Municipal responsibility, although only contingent, was likely to be onerous in regard to the groups in question. The relief afforded the municipalities while indeterminate can by no means be regarded as negligible.

In other cases the responsibility has been transferred more clearly from the municipalities to the province. Thus in 1946 the province assumed full responsibility for the maintenance, medical care and hospitalization of neglected children born out of wedlock and for all neglected children over 16 years of age. In 1944 a program of provincial grants in aid of hospital construction was introduced, the grants to be made on an equalization basis to

promote the construction of hospitals in smaller centres. In 1945 provincial grants were made available to municipal medical schemes, in part on an equalization basis. In underwriting the costs of hospital operation the Saskatchewan Hospital Services Plan is of significant assistance to municipalities which alone or in association with others formerly provided hospital services.

The conclusion arising from the analysis undertaken in this chapter is that the provincial government's activities in the fields of public health and welfare are adequate with the single major exception of the provincial contribution to the care of tuberculosis patients. The Committee is of the opinion that this grant should be increased and proposes so to recommend.

PART VI

Highways

1. INTRODUCTION AND EARLY HISTORY

"At Council hearings where pleas for schools, houses, social services, hospitals, price subsidies, or other government aid might have been expected, the people asked mainly for roads."¹ This quotation from the *Report of the Saskatchewan Reconstruction Council* indicates the vital interest of Saskatchewan citizens in an adequate and efficient road system. The provision of such a system in an area characterized by a wide and sparse distribution of population and lacking financial strength has always been one of the main problems of government in this province.

In the years immediately following the formation of the province, responsibility for improvement of the 140,000 miles of road allowances in the settled area rested mainly upon the municipalities while the provincial government devoted its limited funds to the more urgent needs of the settlement process. A determined effort to improve communications was reflected in the establishment of the Board of Highway Commissioners in 1912, and the appropriation of much larger sums by the provincial legislature for road improvement. The Board undertook to assist any municipality to the extent of 50 per cent. of the cost of road improvements (with a maximum of \$5,000 in any one year) upon condition that the municipality would maintain such improvements in a proper manner. The Board's policy was directed toward channelling this money into the improvement of main roads and to giving aid to those municipalities confronted with special road-building problems such as those presented by ravines and river valleys, large sloughs and marshes. The provincial government undertook the construction of the larger bridges directly.

The system of dollar-for-dollar government road grants to municipalities was not entirely satisfactory. It was replaced after two years by a policy under which all provincial money available for road work was spent directly by crews employed by the Highway Board. After 1914, however, wartime conditions necessitated retrenchment and it was found that the letting of contracts to municipalities, provided that they had the organization and equipment, and

the construction of main roads by municipal crews under government supervision, was more economical. Contracting by individuals was, of course, developed also, many contractors being available in the province with the cessation of large-scale railroad construction.

Before the end of the First World War, the concept of an inter-connected main market road system to join up the cities, towns and villages of the province had evolved. About 32,000 miles of local roads were to be included in the system. These roads, it was planned, would be built to a standard above that necessary for purely local municipal roads. Accordingly, in 1917 a system of maintenance grants of approximately \$500 for each municipality was inaugurated for the work on this type of road. These grants were in addition to funds spent under the contract system for construction.

2. ORIGIN AND DEVELOPMENT OF THE PROVINCIAL HIGHWAY SYSTEM

The year 1920 saw the beginning of the present provincial highway system. In accordance with the provisions of the Canada Highways Act² Saskatchewan received a grant of \$1,896,255 from the Dominion government. The grant was spread over a five year period and was sufficient to pay 40 per cent. of the cost of construction of certain main roads approved by the federal government and built according to standards set by that government. An important condition of this agreement was that the provincial government should take over responsibility for the maintenance of all highways built with Dominion aid. By the end of 1925, 2,000 miles of these provincial highways had been completed.

The provincial highway system was planned as a system of trunk roads, superimposed upon the established main market road system, but interconnected in order to provide continuous trunk lines between the most important cities, towns and villages in the province and, at the same time, the main highways established in the adjoining provinces and in the United States. The system has been continuously expanded until at the present time it makes up approximately 8,300 miles. It should perhaps be emphasized that municipalities have never been called upon to contribute any

¹ *Report of The Saskatchewan Reconstruction Council*, (Regina, King's Printer, 1944), p. 105.

² *Statutes of Canada*, 9-10 Geo. V., 1919, c. 54.

part of the costs of construction or maintenance of this provincial highway system. This policy is based upon the entirely reasonable principle that these roads are of wider than local concern since their benefits are not confined to the taxpayers of a single municipality. There is also the fact that the much greater expense of providing the higher standard of construction required on these roads is too burdensome for the average municipality to carry.

As a result of the inauguration and expansion of the provincial highway system the road building responsibilities of the municipalities were reduced. The old system of maintenance grants for main market roads was consequently terminated in 1923, although the province continued its policy of constructing timber bridges over 20 feet in length on municipal roads, and also engaged in some contract work on market roads.

The history of Saskatchewan's highway development since the middle nineteen-twenties may be summarized briefly. A large-scale graveling program, accompanied by intensive construction and reconstruction occupied the years from 1928 to 1932. The exigencies of the nineteen-thirties, however, forced a practical cessation of new highway construction. Even maintenance was deferred to such an extent that the original capital investment was in many cases almost entirely lost. In the late nineteen-thirties assistance was again received from the federal government partly as relief work and partly on a developmental basis. Colonization roads were opened into the North with the Dominion paying two thirds of the cost, and assistance was received for "tourist" and certain other highways. This aid ceased in 1940. During the war years after 1939, lack of equipment and manpower forced postponement of all but the most urgent highway improvements and it was not until 1945 that a real start on the backlog of necessary work became possible. From 1945 to the beginning of 1950, 2,226 miles of road were constructed or reconstructed and approximately 2,900 miles gravelled by the provincial government.¹ It is to be noted also that the standard of new highway construction was raised to meet the requirements of heavy, high-speed traffic and that a substantial amount of bituminous surfacing has been undertaken with approximately 535 miles completed in the years 1945 to 1949 inclusive. Both these factors have contributed

to the heavy and increased costs of highway construction.

3. ROAD GRANTS TO RURAL MUNICIPALITIES

Road grants made by the provincial government to rural municipalities in the nineteen-twenties had simply involved the letting of a contract to a municipality for work upon its main market roads with no liability upon the municipality to match the provincial expenditure. Most of the municipalities did, however, contribute from their own funds in order to attain a somewhat higher standard of construction. Grants of the above sort were supplemented in the early nineteen-thirties by special assistance for relief road work, but were suspended from 1932 to 1936 when only assistance for special relief projects was available. Regular grants were resumed in 1936 to be used on work approved by the Minister. Although these grants were steadily increased during the war years, reaching a total of \$182,950 in 1944, municipalities and local improvement districts were often unable to take full advantage of them due to equipment and material shortages.

Since 1948 a new principle has been used in the allocation of provincial government funds for municipal roads. An equalization formula which takes account of such factors as the assessment and population of the municipality, the mileage of provincial highways running through the municipality, the topography, amount of bush cover, stone and other handicaps, has been applied to determine the share available for each local unit. The equalization feature of the new system has been well received by the rural municipalities. A part of the funds available for this purpose has been drawn from the Public Revenue Suspense Account, the remainder from the general revenues of the province. The average grant paid in the fiscal year 1948-49 was approximately \$1,500 per municipality with a total appropriation of \$450,000. In addition, about \$125,000 is spent annually on market roads in local improvement districts.

4. CLASSIFICATION AND MILEAGE OF SASKATCHEWAN ROADS

At the beginning of 1950, Saskatchewan's road system in terms of mileage was as follows: (i) provincial highways (the direct responsibility of the provincial government) 8,306 miles, of which approximately 535 miles are bituminous surface, 6,460 miles are gravel surface, 925 miles are constructed to the standard earth grade but unsurfaced, and 885 miles are not yet improved to the standard grade;

¹ Letter, H. R. MacKensie, Deputy Minister of Highways to the Committee, June 8, 1950.

(ii) secondary highways (nominally the responsibility of local municipalities, but maintained by the province), 1,342 miles; (iii) all other roads in the province, 203,196 miles. The latter are the responsibility of local authorities. About 85,000 miles of the third group of roads above have been improved and portions gravelled. The remainder are unimproved road allowances.

5. THE MAGNITUDE OF THE ROAD PROBLEM IN SASKATCHEWAN

The figures appearing in the preceding section reveal the magnitude of Saskatchewan's road problem. Despite the expenditure of approximately \$125 million by the province (not including relief expenditures or Dominion contributions) in the 25-year period 1926-50, most of it on provincial highways, and the expenditure of very large sums by the municipalities on local roads, few Saskatchewan citizens are satisfied with the present condition of the road system. Invidious comparisons are repeatedly made between Saskatchewan's progress in the improvement of

roads and that of other provinces. Such comparisons, however, may fail entirely to consider the much smaller burden with which the other provinces are faced. The government of Alberta is directly responsible for only 4,436 miles of highway⁴; the government of Manitoba for 2,152 miles of provincial trunk highways, 239 miles of secondary highways and 1,064 miles of other main roads⁵, the government of Ontario for approximately 7,600 miles.

The much larger mileage for which the Saskatchewan government is responsible is apparently not a result of the incorporation of a greater proportion of main roads into the highway system in Saskatchewan than in the other provinces. The difference in mileage as between the provinces is mainly a result of differences in the distribution of population. The considerably smaller settled areas in Alberta and Manitoba and the greater concentration of population mean that a much smaller mileage of roads is necessary in these provinces than in Saskatchewan. Table I, showing total mileage in each of the prairie provinces and Ontario, illustrates this point.

TABLE I

MILEAGE OF ROADS IN PRAIRIE PROVINCES AND ONTARIO AS AT MARCH 31, 1947

Classification	Ontario	Manitoba*	Saskatchewan	Alberta
Surfaced⁶				
Concrete	2,054	37		
Bituminous	6,000	515	372	735
Gravel or Crushed Stone	49,777	8,395	11,095	9,469
Other	" "	" "	75	
Total Surfaced	57,831	8,947	11,542	10,204
Non-surfaced				
Improved Earth	8,789	8,171	77,177	24,730
Other Earth	6,381	74,236	124,259	45,589
Total Non surfaced	15,170	82,407	201,436	70,319
Total Roads	73,001	91,354	212,978	80,523

Source: *Canada Year Book, 1948-49*, p. 706 * April 30, 1947

It is clear that Saskatchewan's road mileage is greater than that of the neighbouring provinces, both absolutely and in proportion to population.

There is a greater number of motor vehicles in proportion to population in Saskatchewan than in Manitoba although this proportion is about the same as that for Alberta.

An additional relevant fact is that a greater percentage of the total number of motor vehicles is owned by rural residents in Sask-

atchewan than in Manitoba or Alberta. This is a further indication of the greater need for roads in Saskatchewan than in the other provinces.

⁴ As at March 31, 1948.

⁵ The mileage figure for provincial trunk highways has been taken from the 1948-49 official highway map of Manitoba. Mileage figures for secondary highways and other roads are as at March 31, 1947.

TABLE II

REGISTRATION OF MOTOR VEHICLES IN THE PRAIRIE PROVINCES, 1946, 1947 AND 1948

	Manitoba		Saskatchewan		Alberta	
	Total	Average Population Per Vehicle	Total	Average Population Per Vehicle	Total	Average Population Per Vehicle
Passenger Automobiles						
1946	73,976	9.9	100,905	8.2	95,764	8.4
1947	80,201	9.3	105,329	8.0	105,132	7.8
1948	91,860	8.2	109,718	7.8	115,350	7.3
Total Motor Vehicles						
1946	101,090	7.4	148,206	5.6	138,868	5.8
1947	112,149	6.6	158,512	5.3	155,386	5.3
1948	128,000	5.9	167,515	5.1	173,950	5.0

Source: *The Motor Vehicle* 1946, 1947 and 1948 (Ottawa, Dominion Bureau of Statistics, 1948, 1949 and 1950)

6. INTERPROVINCIAL COMPARISON OF EXPENDITURES ON PROVINCIAL HIGHWAYS

Is Saskatchewan's greater need for roads reflected in the comparative figures for present expenditures of the three prairie provinces on road construction and maintenance? It must be admitted that it is not—that the Saskatchewan government is spending less per capita than the average for the other provinces. In 1947-48 this province spent \$10.18 per capita which equalled approximately three quarters of the average for the four other provinces included in this survey, and seven eighths of the average for the other two

prairie provinces. (See Table III). In the fiscal year 1949-50, on the basis of provincial estimates in each instance, Saskatchewan spent about \$8.50 per capita, Alberta \$16.50 and Manitoba \$6.50.

When these comparative expenditures are adjusted to make allowance for the lower per capita income in this province, Saskatchewan appears in a somewhat more favourable light, with a figure for 1947-48 approaching 96 per cent. of the average for Alberta and Manitoba. It must be realized, of course, that the average figure is partly a result of the low expenditure

TABLE III

COMPARISON OF NET EXPENDITURES ON ROADS BY VARIOUS PROVINCES FOR THE FISCAL YEAR 1947-48

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario	
	Total Amount (\$000)	Per Capita	Total Amount (\$000)	Per Capita	Total Amount (\$000)	Per Capita	Total Amount (\$000)	Per Capita	Total Amount (\$000)	Per Capita
Direct Expenditure—Grants ...	\$21,667 ¹	\$20.75	\$11,928 ²	\$16.51	\$ 8,575 ³	\$10.18	\$ 6,556 ⁴	\$ 8.82	\$47,159 ⁵	\$11.26
Total Expenditure—Roads...	1,787	1.52	1,033	1.26	420	30	913	1.23	14,823	3.54
Net Expenditure on all Services	\$23,254	\$22.27	\$12,961	\$15.77	\$ 8,995	\$10.48	\$ 7,469	\$10.05	\$61,982	\$14.80
	73,915	70.79	38,962	47.39	43,984	\$2.20	25,775	34.60	186,426	44.50
Per cent. Road Expenditure is of Expenditure on all Services		31.4		31.3		20.5		28.8		33.2

¹ Of which \$7,129,000 is from capital account and \$6,320,000 is a revenue surplus appropriation.² Includes \$9,660,000 on capital account.³ Includes \$1,405,000 on capital account.⁴ Includes \$1,923,000 on capital account.⁵ Includes \$21,479,000 on capital account.

in Manitoba, occasioned to some extent by a smaller road building burden. On the other hand, a comparison with Alberta, which is currently enjoying very large revenues from its natural resources and is investing at least part of them in capital projects such as highways, is somewhat unfair to Saskatchewan.

Table IV, showing highway expenditures in relation to mileage for the three prairie provinces, emphasizes to an even greater degree the fact that Saskatchewan is not at present attaining the standard on its provincial highways which the other provinces are achieving.

TABLE IV

EXPENDITURES BY THE GOVERNMENTS OF THE PRAIRIE PROVINCES ON
PROVINCIAL HIGHWAYS, 1947-48*

	Manitoba		Saskatchewan		Alberta	
	Total	Per Mile	Total	Per Mile	Total	Per Mile
Maintenance	\$ 1,508,585	\$ 437	\$ 2,571,894	\$ 285	\$ 1,301,089	\$ 293
Construction	2,758,722	798	5,166,803	633	8,978,545	2,024
Total	\$ 4,267,307	\$ 1,235	\$ 7,738,697	\$ 918	\$ 10,279,634	\$ 2,317

* Expenditures stated do not include general administration costs or grants to municipalities but only expenditures related directly to the provincial highways.

Source: *Public Accounts* of the provinces for the Fiscal Year 1947-48.

It will be noted that Manitoba is providing a higher average standard of road construction than Saskatchewan even though its total and per capita expenditures on roads are below those of Saskatchewan. Alberta, whose total and per capita expenditures were larger than Saskatchewan's in 1947-48, and were still larger during the year 1948-49, is providing a highway system which, it would appear, will shortly be far superior to that in Saskatchewan.

The comparisons made with other provinces have indicated both the greater need for an extensive road improvement program in Saskatchewan and the relatively greater burden which an adequate program would impose upon the resources of this province.

7. REQUIREMENTS AND COSTS OF AN ADEQUATE
PROVINCIAL HIGHWAY SYSTEM
FOR SASKATCHEWAN

What might be considered an adequate program for the provincial highway system, and what would it cost? If we were to content ourselves merely with restoring the provincial highways to the original standard to which they were constructed, that is, if we were merely to catch up on the maintenance which was necessarily deferred due to inadequate expenditures during the depression and the war, it is estimated by officials in the Department of Highways and Transportation¹ that an expenditure of \$12 million would be required to start with. Thereafter, in order to maintain them at that level, it is estimated that an

annual expenditure of \$2.7 million would be required. Indeed, at the present time an annual expenditure of \$3 million is required to prevent any further deterioration of the system. Even this annual expenditure imposes a considerable fixed charge upon the province.

The original construction standard of many Saskatchewan roads is not, however, considered adequate for present traffic needs and roads presently being built are constructed to higher and more costly standards with wider road tops, smoother grades and deeper ditches for better drainage and easier snow removal. The provincial Department of Highways hopes also, and is presently planning, to bituminous surface a total of about 3,000 miles. For that portion of the system which is to be reconstructed and gravel surfaced, a capital expenditure of \$17 million and thereafter an annual maintenance expenditure of \$1.8 million is estimated.² For that portion of the system which is to be hard surfaced, rebuilding and surfacing costs will amount to \$43 million with annual maintenance charges of \$1.5 million. A complete program for highway improvement envisages, therefore, a construction expenditure of \$60 million and annual maintenance expenditures when the system is complete, of \$3.3 million. In contemplating these costs it must be remembered that other expenditures covering general administration, surveys, ferry operation, assistance to rural municipalities and local improvement districts made up of grants to these local units (assumed to continue at their present level) and an adequate program for replacement and repair of timber bridges on municipal roads,

¹ Memorandum, H. R. MacKenzie, Deputy Minister of Highways, to the Committee, September 1, 1949.

² *Ibid.*

the total of all these items amounting to about \$1.5 million, have to be met each year.

8. HIGHWAY REVENUES COMPARED WITH HIGHWAY EXPENDITURES

Is such a program within the fiscal capacity of the province of Saskatchewan? It is generally agreed that most of the funds for this purpose must, on the grounds of benefits received, come from revenues related to the highways—i.e., receipts from the gasoline tax and motor vehicle licences. It is the view of many that these revenues would be sufficient if they were specifically earmarked for expenditure on highways but, it is alleged, highway revenues are too often not being spent on highways, they are being diverted to other purposes. Is this charge correct? How much "diversion" of highway revenues has actually occurred? Table V shows highway revenues as compared with highway expenditures in the twenty-year period 1930 to 1949.

It is apparent from this Table that significant diversions of highway funds occurred only in certain of the depression years of the nineteen-thirties, when all revenues of the province were urgently needed for relief and re-establishment, and during the war when a large-scale highway program was impossible. It is to be emphasized that over this whole twenty year period there was a net appropriation from general funds of the province, over and above highway revenues, of approximately \$11 million. When it is recalled that no gasoline tax was levied in this province until 1929, and that motor vehicle licences were small during the nineteen-twenties and previously, it seems quite clear that the government of the province has not in fact imposed the full cost of providing provincial highways upon motorists. In addition, of course, the costs of local roads and streets have been met largely from real property taxation. At the present time, highway revenues and expenditures on provincial highways are quite closely balanced. There is thus no basis for the claim that the motorists of this province have been, or are being, taxed for purposes other than the building of roads.

There is no reason, however, why motorists should not contribute to general funds, just as other classes of persons are required to do. Owners of real property, for instance, are compelled to contribute with scant reference to the benefits they receive from the expenditures. It might be urged, therefore, that until the users of motor vehicles and fuels have paid a sub-

stantial tax contribution to general government in addition to paying for the entire cost of highways and streets, they have not contributed their full share. Such heavy taxation of motorists is not advocated but as a matter of equity among taxpayers it might be justified, despite admitted uncertainties regarding the ultimate incidence of most taxes.

While in the past all revenues raised from taxation of motor vehicles and gasoline have been expended on the provincial highway system, there is no justification for specifically earmarking such revenues in the future for expenditure on highways alone. Not only is it reasonable to ask motorists to contribute to general funds but also, and more significantly, it is not prudent to bind the government of Saskatchewan, where revenues are exposed to wide fluctuations, to a rigid formula of this nature. Should the conditions of the nineteen-thirties recur, social aid expenditures would of necessity take top priority. It is to be hoped that a public investment program partly directed toward highway development would be undertaken in such a situation, but the provincial government alone would be unable to finance an adequate program of this sort. The provincial government must, in such circumstances, be in a position to draw upon all its available resources to meet the cost of the most essential services. This might necessitate a temporary restriction in highway development and the use of highway revenues for other purposes. In the long run, and on balance, the representatives of the people can be trusted to devote a fair share of the revenues of the province to the development of the highway system. They have done so in the past.

9. SOURCES OF ADDITIONAL REVENUES FOR HIGHWAY PURPOSES

It is evident that in the past highway revenues alone have not been large enough to provide the type of road system which Saskatchewan citizens have demanded and that appropriations from the general funds of the province have been necessary. But at present the increasing demand for other services, especially health and welfare, has imposed such pressure upon the general revenues of the province that further subsidization of road development is impossible. Therefore, extensive improvement of the road system along the lines proposed by the Department of Highways is dependent on an expansion of revenues from taxation of motor vehicles and gasoline or upon assistance from the federal government.

TABLE V

HIGHWAY REVENUES AS COMPARED WITH HIGHWAY EXPENDITURES FOR THE PROVINCE OF SASKATCHEWAN, 1930 to 1949
(Thousands of Dollars)

Fiscal Years Terminated April 30 ¹	Highway Revenues			Highway Expenditures				Excess or Deficiency of Revenues as Compared with Expenditures		
	Gasoline Tax	Motor and Operators' Licenses	Highway Traffic Board	Total Highway Revenues	Debit Charges ²	Construction & Maintenance on Capital Account	Construction & Maintenance on Revenue Account		Construction & Maintenance on Relief Account	Total Administration Expenses	Total Highway Expenditures
1930	\$ 983	\$ 2,018	\$	\$ 3,000	\$ 940	\$ 2,662	\$ 2,536	\$ 312	\$ 226	\$ 7,572
1931	1,949	1,684	3	3,636	1,068	1,960	2,105	1,099	179	7,411
1932	1,211	2,683	3	3,897	1,376	2,521	2,776	3,106	253	8,635
1933	1,395	2,997	32	4,424	1,321	35	2,943	87	164	7,281
1934	1,421	3,451	32	5,004	1,274	6	3,087	20	161	7,282
1935	1,499	3,555	179	5,233	1,274	6	3,087	805	177	7,282
1936	1,769	3,375	166	5,310	1,294	746	3,112	845	177	7,282
1937	2,098	3,632	213	5,943	1,294	203 ³	3,039	919 ⁴	177	7,282
1938	1,995	3,393	187	5,575	1,241	553	3,120	702 ⁵	177	7,282
1939	1,875	3,332	159	5,366	1,241	37	3,420	1,637 ⁶	203	7,282
1940	3,000	3,595	547	7,142	1,618	37	3,510	1,562 ⁷	230	8,273
1941	3,293	3,470	512	7,275	1,501	1,401	3,072	1,413	300	7,973
1942	3,758	3,471	250	7,479	1,508	1,508	2,783 ⁸	2,689	269	7,973
1943	3,398	3,274	193	6,865	1,501	1,501	2,041 ⁹	2,514	254	7,973
1944	3,397	2,571	236	6,163	1,507	1,507	2,821	1,635	169	7,973
1945	3,366	2,442	228	6,036	1,508	1,508	2,263	1,155	155	7,973
1946	4,290	2,917	288	7,495	1,501	1,499	3,816	841 ¹⁰	199	10,996
1947	6,128	3,008	300	9,436	1,869	1,849	3,816	7,692	272	13,310
1948	6,128	3,008	300	9,436	1,869	1,849	4,432	7,177 ¹¹	292	13,310
1949	6,642	3,580	300	10,522	1,381 ¹²	2,400	6,063 ¹³	10,252	342	14
Totals	\$ 58,542	\$ 36,792	\$ 3,138	\$ 98,472	\$ 27,481	\$ 21,430	\$ 46,818	\$ 9,122	\$ 4,846	\$ 109,188
1930-39	16,145	15,050	1,214	32,409	13,478	15,176	12,340	7,611	1,013	18,221
1940-49	42,397	21,742	1,944	66,083	14,203	5,654	34,478	1,502	2,451	7,725
										\$ 10,996

¹ Changed to March 31 in 1947² Includes interest on debentures and treasury bills plus discount charges. Does not include debt charges on relief account expenditures.³ Net of Dominion government contributions.⁴ Includes grants from Dominion to compensate for loss on gasoline tax collections. These grants have been added to the collections of the year on account of which they were paid rather than to the collections of the year following in which the grant was actually paid. Thus, for example a grant of \$595,023 received in the year 1943-44 has been added to the gasoline tax collections for 1942-43.⁵ Net of Equalization Grants \$213,116 in 1948 and \$320,776 in 1949 paid from public revenues suspense account.⁶ Estimate.⁷ Denotes deficiency.⁸ Denotes excess.⁹ Receipts included with motor licences.

At the present time Saskatchewan's gasoline tax is below that in most of the other provinces of Canada. Comparative rates per gallon, as of January 1, 1950, are as follows:

Newfoundland	14 cents
New Brunswick, Nova Scotia, Prince Edward Island	13 "
Ontario and Quebec*	11 "
British Columbia and Saskatchewan ..	10 "
Alberta and Manitoba	9 "

It is worthy of note that the two wealthiest provinces in the Dominion are levying a higher tax than Saskatchewan. As for the two provinces with a lower tax, Alberta, as mentioned above, has both a smaller road burden and is able to draw upon large revenues from its natural resources while Manitoba has a much less extensive road system to support. It is also significant that a tax on fuels used for agricultural and other purposes, (i.e., in uses other than the propelling of motor vehicles) is levied by the provinces of Prince Edward Island, Nova Scotia and New Brunswick at three cents per gallon, and by Alberta and British Columbia at one cent per gallon. Saskatchewan levies no such tax.

Should the tax on gasoline consumed in motor vehicles be increased? In the first place it should be realized that Saskatchewan citizens must be prepared to pay at least as large a tax as that imposed in wealthier provinces. Indeed, if the road standards of other provinces are to be achieved, the tax would have to be considerably higher. In the second place, the provision of a substantial mileage of hard surfaced highway will save the motorists of this province large sums in vehicle operating costs. Expert opinion declares that this saving would be at least one and one half cents per car mile and two and one half cents per truck mile on paved roads as compared with gravel roads.* It has been estimated that even where the average traffic is as low as 200 motor vehicles per day the public is paying in extra operating costs an amount which would provide a paved highway; that is, they are, in substance, paying for paved highways whether they get them or not. There is a tendency to rest the case for the paving of roads on the argument that such roads are necessary to attract tourists to the province. It cannot be too strongly emphasized that, with or without tourist traffic, the provision of paved highways

* The Quebec tax has since been raised to 13 cents.

† Memorandum, H. R. MacKenzie, Deputy Minister of Highways, to the Committee, September 1, 1949, p. 2.

offers calculable financial benefits which should be offset against their costs.

These considerations support the view that an increase in the gasoline tax is justified if the highway system is to be further improved. It should be remembered that the Saskatchewan government in 1947 did not increase its gasoline tax by the full three cents per gallon which the Dominion government had imposed during the war. Certain other provinces did so. Thus the gasoline tax in Saskatchewan is now one cent less per gallon than it was during the war years. Furthermore, it seems quite probable that with the continued development of oil resources in western Canada, the price of gasoline to Saskatchewan consumers may be reduced. Small reductions have already occurred.

For all these reasons it appears that an increase in the gasoline tax of, say, two cents a gallon would not actually impose a new or larger net burden on Saskatchewan motorists.

Such an increase for the specific purpose of a more rapid implementation of the highway program than would otherwise be possible, would yield approximately \$1.5 million annually.

Motor vehicle licences in Saskatchewan are also lower than in most other provinces. As an example, comparative fees for a standard-make, low priced model 1949 sedan are listed in Table VI.

TABLE VI
CURRENT LICENCE FEES FOR A REPRESENTATIVE AUTOMOBILE

Province	Fee	Basis of Fee
British Columbia ..	\$25.00	weight†
Alberta	20.00	wheelbase
Manitoba	16.50	wheelbase
Saskatchewan	15.00*	wheelbase
Ontario	10.00	horsepower
Quebec	23.10†	weight†
Nova Scotia	21.88	weight†
New Brunswick	19.80†	weight†
Prince Edward Island	16.50†	weight†

* Not inclusive of compulsory automobile accident insurance premium.

† Not inclusive of fees regarding registration and cost of plates as follows: New Brunswick, \$2; Prince Edward Island, \$2, Quebec, \$1.

‡ Where a weight basis is used, computation has been made on the basis of weight of 3,250 pounds.

Source: Calculations made from data in Summary of Motor Vehicle Acts, compiled by the Licence Department, Automobile Club of Southern California.

While the basis of the fee varies from province to province, as indicated in the Table, and a number of special features characterize the regulations in each province, it is evident that the Saskatchewan motorist is among the least heavily taxed in Canada. Some consideration should be given to the possibility of increasing these fees to help finance development. Especially is it desirable that heavy trucks which will derive the largest benefits from a paving program as well as contributing most to wear and tear on highways should pay their share.¹⁰ Licence fees may provide a better means of ensuring such an equitable contribution than the tax on gasoline consumed.

10. GENERAL SUMMARY OF PROVINCIAL HIGHWAY FINANCE

The general financial picture in regard to highways may now be outlined. Highway revenues at the present time approximate \$10 million per year. It is suggested that increases in the gasoline tax and in motor vehicle licences might be expected to produce about \$1.8 million a year in new revenues. Thus approximately \$11.8 million would be available, assuming normal economic conditions, for allocation to highways. Annual charges are made up of the following items:

Provision for an adequate maintenance program	\$8,000,000
Administrative expenses	55,000
General expenses	120,000
Ferry operation	180,000
Surveys	50,000
Assistance to Rural Municipalities and L.I.D.s:	
Maintenance of Secondary Highways	120,000
Market Road Grants to R.M.s (at present level)	430,000
Market Roads (L.I.D.s)	125,000
Replacement and Repair of Timber Bridges (an enlarged program)	500,000
Total	\$4,580,000

Interest charges on that part of the public debt incurred for improvement of highways are now approximately \$1.5 million per year. Thus for all these annually recurring items of expense about \$6 million must be provided. There would remain a maximum of approximately \$5.8 million if the increased taxes were imposed, about \$4 million if not, to meet

¹⁰ For an excellent discussion of this problem in Great Britain see *Report of the Conference on Rail and Road Transport*, (London, King's Printer, 1932)

the cost of improvements to the provincial highway system. This improvement plan, if it is to be adequate, will cost \$60 million according to present estimates. In other words, making the most optimistic assumption possible, it will require from 10 to 15 years to pave 3,000 miles of main highways and to bring the remainder of the provincial highway system up to a standard considered adequate by engineers. But is anyone justified in assuming that revenues will remain at their present high levels? In the light of past experience it would be unwise to do so.

It can only be concluded that an extensive road improvement program in the immediate future is beyond the fiscal capacity of this province. Increased taxes will allow some further development but a large measure of Dominion assistance is necessary to carry these tentative plans to completion. At present Dominion aid is being given for the construction of one east-west route to form a link in the "Trans-Canada Highway". It is rather more doubtful, however, whether any assistance will be forthcoming for construction of other provincial highways. Yet Saskatchewan has an excellent case for expecting assistance from the federal government for, as has already been pointed out, the building of roads imposes a much greater burden on this province than on any other. There is no reason why the historic National Policy of development, in the past concerned mainly with providing railway transportation, should not be extended to the improvement of highway communication, at least to the point where several east-west and north-south roads of major national and international importance are completed. Until such aid is forthcoming it would be unwise for the government of Saskatchewan to undertake an extensive road improvement program, and particularly one including extensive hard surfacing construction.

11. THE PROVINCIAL-MUNICIPAL ALLOCATION OF RESPONSIBILITY AND REVENUES

This discussion of highway finance is relevant to the question of provincial-municipal relations and the allocation of responsibilities to the two levels of government. In the first place, it is sometimes suggested that the provincial government has accepted too great a responsibility for highways, that the provincial highway system is now too extensive, and that it would be far better for the government to turn back some of this mileage to the municipalities, whose responsibility it was originally, so that the province might concentrate its expenditures on three to four thousand

miles of main interurban, transprovincial highways, in an effort to bring them up to a high standard of construction. The rest of the system would revert to the status of main market roads to be financed by the municipalities, mainly out of property taxation, with increased government grants. It is argued that such a step would produce two desirable effects: first, that the public through municipal organizations would become more aware of the high cost of improving highways and would be less prone to press for a tremendously expensive paving program, and, second, that some economies in the use of machinery might be effected.

Your Committee cannot support this contention. A study of the evolution of the present provincial highway system reveals that the province originally accepted responsibility for the roads in this system because they were of more than local concern, and because the benefits from them were not confined to the local area but accrued to all motorists in the province. This principle is still applicable. If the general interest in the state of these roads were to be effectively maintained after being turned back to the municipalities, large grants, at least equal to the province's present direct expenditure on them, would be necessary along with strict supervision from the engineers of the provincial Department of Highways. If large grants were not made these roads would quickly deteriorate and the original capital investment in them would be lost. If strict supervision by the department were not enforced, and enforcing it would inevitably lead to friction and discord, the danger of inefficient use of large sums of public money would exist, and that degree of co-ordination of building and maintenance plans essential to the efficiency of a highway system would be lost. Moreover the province would be committed to certain grants to each municipality through which the roads run, thus losing to some extent its freedom of action in channeling these funds to those parts of the system where the need is greatest. Furthermore, from the standpoint of the province, financing these grants would represent a significant fixed charge upon revenues in difficult times. Nor does it seem that any significant economies in the use of machinery would be achieved. Indeed one problem of many rural municipalities now existing is that they are too small to be able to use their machinery efficiently. The solution to this problem would appear to lie in the grouping together of municipalities or co-operation in the use of the necessary large and expensive equipment rather than the imposi-

tion of new burdens upon them requiring still heavier equipment. For all these reasons we believe this proposal has little to recommend it.

Assuming then the continuance of the present division of responsibilities, consideration may be given to the question of present road grants. It is clear from the foregoing discussion of highway finance that the province is in no position to increase these grants, desirable as that might be, or to commit itself in any way to the payment of a certain share of highway revenues to the municipalities. Sharing of these revenues has frequently been requested by the municipalities, both rural and urban, the usual suggestion being that one quarter to one-third of gasoline tax and motor licence receipts be paid back to the municipality in which these revenues originated. Implementation of this proposal would create difficulties in administration. It would also assist urban municipalities, whose need for assistance is less, more than it would the rurals. British Columbia distributes one third of the motor vehicle licence revenues on the basis of population, a scheme which in Saskatchewan would again benefit urban municipalities and would take little account of relative need. Alberta's road grants are now roughly equivalent to one quarter of the revenue from licences and fuel taxes, including that on farm fuel. It is important to emphasize, however, that the government of Alberta has not bound itself to this formula and that all these funds are paid to the rural areas. It may be emphasized again that none of the other provincial governments is saddled with highway responsibilities as extensive as is the government of Saskatchewan. If this province is to meet those responsibilities it must be able to devote most of the highway revenues to the provincial highway system.

As a matter of principle all parts of the province benefit from improvement of the highway system. Urban areas have no right to complain that they are being discriminated against in not receiving directly in grants a share of motor revenues. Their very existence as distributing centres is dependent on the provision of a highly developed network of communications. It is certain that our cities particularly will derive great benefits from a paving program on the provincial highway system, benefits from a widening market area, from expanded tourist traffic, from the movement of rural residents to urban areas, which will all be reflected in higher land values. Furthermore, the improvement of local streets and roads in urban areas is to a large extent a "land service" expenditure. Whereas prov-

incial highways are of primary service to motorists since they are designed to accommodate arterial traffic, local streets and roads benefit property owners as much as motorists, a fact which is partially recognized in the practice of special assessments in urban areas. It is right and proper, therefore, that revenues contributed by motorists should go to improve the highway network and that local streets and roads should continue to be supported mainly by real property taxation.

Your Committee is not unmindful of a problem of serious proportions that has arisen in rural municipalities relating to the construction and maintenance of roads. The greatly increased volume of motor traffic requires that roads for which rural municipalities are responsible must be built to a higher standard to accommodate such traffic. These roads may be placed in two categories: (1) the local bladed roads which can be constructed by light equipment, where traffic is relatively light, largely seasonal and almost entirely local; and (2) the main market roads where traffic is more than local, relatively heavy and continuous, and construction requires heavy power equipment. The roads in the first category should be the entire responsibility of the municipality without financial aid from the senior government. The problem of constructing and maintaining market roads should, however, be examined in greater detail.

Obstacles to rapid construction of market roads may be summarized as follows: (1) fiscal inability of many municipalities to acquire the heavy construction equipment necessary to build and maintain such roads, (2) fiscal inability of many municipalities to operate such equipment to optimum economic capacity; (3) lack of knowledge on the part of many councilors (particularly those newly elected to office) of modern road building techniques and of the most efficient use of equipment in the local soil types, (4) piecemeal planning of road improvement because of the persistence of a divisional viewpoint rather than one regarding the municipality as the unit; (5) a lack of proper co-operation between municipalities in establishing a pattern of market roads that would serve the larger community composed of a number of municipalities.

A survey of financial and statistical returns of rural municipalities for the year 1949 discloses that about one third of the municipalities have very light equipment, probably suitable only for average maintenance and light reconstruction, one third possess heavier equipment, probably suitable for heavy maintenance and reconstruction and some blade construction,

the remaining one third have one or more units of heavy powered equipment that can build market roads only a little below the standard of provincial highways. Of the latter group of municipalities it is estimated that not more than 30 or 35 have a complete line of heavy powered equipment with their own workshops for making repairs.

Rural municipalities are responsible for about 145,000 miles of road allowances, of which about 85,000 miles have been improved. The mileage of improved roads consists roughly of 62,000 miles of local roads and 23,000 miles of market roads. Of the latter about 8,000 miles have some light gravel surfacing.

The proportion of market road mileage that has been built to a standard sufficient to carry modern motorized traffic throughout the year is not known. Only a complete survey of the requirements in each municipality could begin to answer the question. Certainly a large proportion of the mileage of such roads should be gravelled to avoid constant and costly reconstruction.

Even with the prospect of added revenue through the abolition of the public revenues tax it is possible that one third of rural municipalities would be unable to cope with the burden of providing and maintaining market roads because of fiscal inability to purchase the necessary equipment or to operate it to its economic capacity. Another third might be able to acquire such machinery and operate it though perhaps not at full capacity. This would leave about one third of all rural municipalities that might be able to finance their requirements without seeking further revenue. In addition to more mileage of an improved standard of market roads, a fairly elaborate program of graveling seems necessary to preserve the investment in these roads. In the light of these facts the possibility of some further financial aid by the senior government cannot lightly be discarded.

In recent years a number of rural municipalities have been in a position to finance improvements of market roads. They have done so by the use of reserve funds built up during the war and employed for the purchase of machinery and the carrying out of long delayed improvements. In addition, the equalization grants made by the province since 1947 have assisted those municipalities whose resources are most limited and whose road building problems are most severe. This feature of the grant system has commended itself to the municipalities and it seems desirable that these grants be continued at their present level.

Greater difficulty in financing local and market roads has already been encountered, however, due to rapid exhaustion of reserve funds and the general rise in construction costs. This difficulty is likely to remain unless tax revenues are increased. A measure of relief would, of course, be afforded by the abolition of the public revenues tax but even this step may not provide adequate funds in every case.

As to further increases in road grants from the general revenues of the province, the conclusion is inescapable that, with present revenues and commitments, such aid cannot be given now or in the near future. The matter should not, however, be allowed to rest there. It appears obvious that a complete survey of all aspects of the local road problem in every municipality is necessary. This survey could well be under the direction of the Municipal Advisory Commission recommended elsewhere in this Report. On the basis of such a study the financial aid, if any, required by each area could be determined more readily and the senior government could then decide how much of such aid it is able to provide.

Assistance to urban municipalities in the maintenance of highway connecting links also requires consideration. In many cases at present the high standard prevailing in respect of provincial highways outside the boundaries of towns and villages is not maintained on the sections of the highway passing through them. This is largely the result of the limited funds which small urban units have at their disposal. Your Committee is of the opinion (i) that the provincial government might well take over responsibility for the construction and maintenance of those sections of the highway system within the corporate boundaries of villages and towns with a population of less than 2,000; (ii) that cities and larger towns with a population of 2,000 or over might receive annual grants equal to one half of the costs of construction and maintenance of those portions of their local streets which form a part of the provincial highways.

12. THE SPECIAL PROBLEM OF TIMBER BRIDGES

Timber bridges on municipal roads offer a special problem. Though most of these bridges were originally built by the province the arrangement was an *ad hoc* one, arising from the fact that in the early days municipalities had neither the equipment nor the financial strength to undertake their construction. Legally they have never been the responsibility of the provincial government. In 1949 there

were, on municipal roads, approximately 2,090 timber bridges, 168 bridges with steel spans on pile abutments and 139 of concrete and steel on concrete abutments.^{*} About 1,140 of these bridges were constructed prior to 1929 and should be replaced. Many of them are in a dangerous condition. To meet this need officials of the Department of Highways suggest that these bridges be rebuilt over a six-year period, that is, 190 each year for the next six years. In addition, a further accumulation of necessary replacements would result each year—those built in 1930 should be replaced in 1950, etc. For the construction years 1950 to 1955 the number of bridges that should be built would be as follows:

	Renewal Program	Added Accumulation	Total
1950	190	168 from 1930	358
1951	190	126 from 1931	326
1952	190	9 from 1932	199
1953	190	12 from 1933	202
1954	190	19 from 1934	209
1955	190	76 from 1935	266

The size of this task presents a staggering problem. The Department of Highways has now five bridge crews at work. In the 1947 construction season 39 bridges were replaced, in the 1948 season 35, and in the 1949 season 43 bridges. A large expansion of the bridge construction activities of the department will be necessary to make any impact on this backlog of work.

Obviously the provincial government cannot be expected to accept complete responsibility for the replacement of these bridges. Some sharing of their cost by the municipalities will be necessary if an adequate program is to be carried through. It is suggested that municipalities might be responsible for all culverts and bridges of 16 feet span or less, that the provincial government might contribute 50 per cent. of the cost of construction of all bridges over 16 feet and up to 100 feet span, these bridges to be built by municipalities with engineering assistance from the Department of Highways, and that all bridges over 100 feet might be built and the total cost of their construction be borne by the province. Maintenance of all bridges of 200 feet span or less might be the responsibility of the municipality with the provincial government contributing 50 per cent. of the cost of major repairs (over

^{*} Data from Memorandum of J. McD. Patton, Chief Bridge Engineer, Department of Highways, for the information of the Committee on Provincial-Municipal Relations, August 25, 1949.

\$500) for bridges over 18 feet and up to 200 feet; bridges over 200 feet in length to be maintained by the province. It appears that some such clarification of responsibility for these bridges is required.

13. CONSIDERATION OF THE PROPOSAL TO TAX FARM FUELS

One method of providing further financial aid for improvement of local roads has already been proposed by the provincial government. It is a proposal worthy of consideration here. It was noted above that several provinces levy a small tax on farm fuels. Such a tax can be justified as a part of a general consumption tax but a special tax of this nature levied and spent by the province cannot be justified by direct relation between benefits received from provincial expenditures and the amount charged as can the tax on motor vehicle fuels. Especially is there little ground for burdening farm fuels in order to develop the provincial highway system. But there seems no reason why such a tax should not be levied in order to assist rural municipalities. Traditionally in North America, property taxation, including personal property taxation, has been the prerogative of local governments. But in Saskatchewan rural municipalities have confined their tax base to real property, exempting personality, the most significant item of which is farm machinery. The burden of a farm fuels tax on an individual farmer would be roughly proportional to the amount of power driven equipment possessed by the farmer and such a tax levied by the province for the municipalities would be much more easily administered than would a personal property tax. It might, however, be more regressive than the present real property tax. Therefore, it should be decided by the rural municipalities themselves whether the burden on real property has reached the point where it should be reduced by employing a tax of this nature, a tax in lieu of a personal property levy on farm machinery. The government has already indicated to the rural municipalities its willingness to impose a farm fuels tax and to pay the entire amount raised to the municipalities and local improvement districts to assist in the improvement of local roads. The funds so raised, which at one cent per gallon might total \$800,000 to \$1,000,000 per year, should ideally be paid back to the municipality from which they came but the administrative problem might make this procedure impossible. If this is so, cultivated acreage within the local government unit might be a reasonable basis of apportionment. It is our opinion that the principle of equalization should have

no place in the apportionment of these funds, since in our conception this tax should be a municipal tax with the province acting principally as a collector. The equalization formula should, of course, be retained for the distribution of existing grants which are made out of the province's general funds.

The proposal for a farm fuels tax which was rejected by a narrow margin by the Association of Rural Municipalities at their 1947 convention might then be carefully reconsidered by municipal representatives. It would provide a basis for a sound improvement program for local roads and would assist in reducing the tax burden on rural property.

14. SUMMARY

This survey of the highway and road improvement problems of Saskatchewan has led to conclusions which may not be popular—the necessity for increased revenues and the inability of the provincial government to offer a large measure of assistance to the municipalities. Your Committee believes, though, that any consideration of the realities of the situation compels these conclusions. These realities are, first, the very extensive highway responsibilities of the provincial government, second, the tremendous backlog of necessary work which has accumulated during the depression and the war; and, third, the demands of the public for a costly paving program. Your Committee is also convinced that if the highway system is to be brought up to the standard which Saskatchewan citizens desire, Dominion government assistance for more than one east-west route must be received. This province can urge the federal authorities to take cognizance of the unequal weight with which the burden of improving roads falls on the various provinces and to undertake a system of grants-in-aid similar to those in the United States for the construction of roads of major national and international importance. Until such assistance is received an extensive highways improvement and paving program will strain unduly the fiscal resources of this province.

Your Committee, however, is of the opinion that the Department of Highway's plans should not be indefinitely postponed until suitable arrangements with the Dominion can be made and that some extension of reconstruction and paving activities is desirable. The inadvisability of increasing the provincial debt at this time means that these improvements must be financed out of revenue. If an enlarged highway program is to be undertaken the gasoline tax and motor licence fees should be increased.

These revenues should be devoted to developing the highway system and not shared with the municipalities. If the latter policy were to be inaugurated, the government would be forced to turn back some part of the highway system to the care of the municipalities, a course which your Committee considers inadvisable.

In regard to provincial-municipal relations it is your Committee's belief, after a careful study, that in comparison with other provinces—taking account of the much greater highway responsibilities of the Saskatchewan government and relative financial resources of the provinces—Saskatchewan municipalities are not being unfairly treated. The abolition of the public revenues tax, special aid to

urban units for highway connecting links, the continuation of equalization grants to help rural areas overcome particular handicaps, and an expanded program for replacement of timber bridges on municipal roads would remove such disadvantages as the municipalities now suffer. Despite the fact that at present the financial situation of the province does not permit larger grants, it is to be hoped that aid to rural municipalities may be increased in future years. It will be one of the tasks of the Municipal Advisory Commission, recommended elsewhere in this Report, to review the situation from time to time to assess the adequacy of these grants in meeting the needs of the rural municipalities and to recommend increases when the revenues of the province permit.

PART VII

The Real Property Tax and Other Sources of Municipal Revenue

1 THE PROBLEM

The central problem in municipal government in Saskatchewan is the fiscal capacity of municipal bodies to perform their obligations. This is a problem that is unlikely to be completely solved, for it seems probable that there will always be a demand for more and more services and the question of whether or not the average taxpayer can pay higher taxes is likely to remain a debatable matter.

For many years now the chief discussion in municipal circles has been concerned with the tax burden on land, and in urban areas the burden on improved land. It has been urged that land has been over-taxed and it has been suggested that the burden is becoming too heavy to bear. It has also been suggested that the burden is becoming heavier and heavier. As a part of the same phenomenon the demands on the provincial government for financial relief have become more and more insistent.

In this Part it is proposed to examine the revenue sources of the municipalities with the chief emphasis being placed on the land tax.

2. HISTORY OF THE LAND TAX

Saskatchewan came into existence and has since developed on the basis of an agricultural economy. It is understandable, therefore, that land should be the chief basis of taxation, and indeed virtually the only basis for taxation in rural municipalities. It is true that farm buildings could be included in the tax base, as well as personal property such as farm equipment, but this practice has never been adopted in rural Saskatchewan. In urban municipalities the tax base is somewhat broader as land does not form the sole base. The improvements on land, commercial and private, together with business assessment, provide assessable assets on the basis of which tax revenues are derived. Nevertheless, taking all assessable property into consideration land predominates so that taxes on land constitute the most important source of municipal revenue, and have, in general, been regarded as a prerogative of municipalities, especially rural municipalities.

In all methods of taxation ability to pay is a desirable as well as an essential element. Therefore, while land was a reasonable measure for taxation in purely agricultural areas, the development of urban centres necessitated a different base which would more nearly re-

fect the ability of the owner to pay. Taxation of buildings and businesses, poll taxes, amusement taxes and other levies not only are reasonably satisfactory on the basis of ability to pay but may to some extent be justified as payment for services received. Other very important sources of revenue are frequently available to urban governments. Public utilities, for instance, are a lucrative source of revenue in some of the larger urban municipalities.

It has been stated that land taxation has been generally regarded as the special taxing field of rural municipal governments. In Saskatchewan there has existed an important exception to this concept in what is now known as The Public Revenues Tax.

The Public Revenues Tax is the only remaining provincial tax upon real property and is presently imposed at the rate of two mills on the assessed value in rural municipalities and on the equalized assessment in urban areas. The tax was first introduced in 1916 as The Patriotic Tax under The Patriotic Revenues Act. The rate was one mill per dollar of assessed value. The tax was then levied to meet war conditions and substantial grants from the proceeds were made to the Red Cross. By 1918 the rate had been increased to two mills, and the present title introduced. In 1927 the rate was decreased to one and one half mills but was restored again to two mills in 1932. Peak collections were reached in the year 1944 when some \$3¼ million was paid into the provincial treasury. The reason for the apparent fluctuation in revenues from this source is that the provincial accounts show actual collections realized as revenues, so that substantial arrears from poor crop years were included in the figures for 1943-44 and subsequent years. It is assumed that a normal figure for collections of this tax would be about \$1.75 million.

Two other types of land tax, which were large revenue producers and which are no longer in force, were The Supplementary Revenue Tax and The Wild Lands Tax. The former tax was introduced in 1907 and was abolished in 1920. The latter tax was introduced in 1917 and abolished in 1936. A somewhat detailed treatment of these taxes appears earlier in this Report.¹

¹ See Part III

3. AGITATION FOR REPEAL OF THE PUBLIC REVENUES TAX

From the early days of its inception there have been from time to time suggestions and even agitation for the repeal of the public revenues tax. There is indeed considerable evidence that members of provincial governments themselves were none too sure that the tax was a desirable one. Clear evidence of this is found in the Budget Speech of the Provincial Treasurer in 1927.²

"That tax, while it may appear small when you state it in mills on the dollar, produces more revenue at present than any other single source of revenue. At the same time it strikes at the only source of revenue which our rural municipalities and schools have, and at the main source of revenue which was some years ago assigned to all urban and rural municipalities within the province. . . .

"For these reasons, Mr. Speaker, the whole trend of this present Budget is, together with the policy which I am announcing with it, toward a turning back to the municipalities what has been recognized as their main source of revenue, both for local improvement and school purposes in order that they may use it in so far as they find it necessary to do so, with the ultimate object that there may be less overlapping in educational and municipal work as between the responsibilities of the local and central bodies both in matters of revenue collection and in matters requiring expenditure."

In keeping with these views the public revenues tax, while not abolished, was reduced from two to one and one half mills. In the light of the quoted remarks, this can reasonably be interpreted as a step in the direction of total abolition. Succeeding governments, however, faced with shrinking revenues and increased expenditures as a result of the worldwide depression, aggravated in Saskatchewan by prolonged drought resulting in virtually complete crop failure over wide areas, deemed it necessary not only to retain the tax but to increase the rate again to two mills in 1932. News reports of the period indicate that at least one opposition member called for the complete abolition of the tax pointing to the fact that a large proportion of the land was then under tax sale proceedings.

² Budget Speech delivered by the Honourable J. G. Gardiner, (Regina, King's Printer, 1927), pp. 12-14.

The Saskatchewan Association of Rural Municipalities has frequently expressed opinions on the public revenues tax and has called for its repeal. In 1934 the Association made a request to the government for a reduction in the mill rate, but this was refused on the basis of the revenue needs of the province at that rather critical time. An outright request for repeal was contained in a resolution adopted at the Annual Convention of the Association in 1937.

In 1936 the Association made representations to the Commission then inquiring into Provincial and Municipal Taxation, which contained the following items:

- "6. The repeal of the Public Revenue Tax and the substitution thereof of additional Income Tax, Consumers Tax, Personal Property Tax, Occupation Tax, or a combination of all such taxes, to produce revenue to the Government at least equal to that which the Government will lose as a result of the repeal of the Wild Lands Tax Act.
7. A careful inquiry into the possibility of a Consumers Tax being inaugurated in this Province, with the understanding that same was to replace the Public Revenue Tax, that the proceeds of the said Consumers Tax would be specifically earmarked for educational and health purposes only.

The Executive recommended that farm machinery, implements of production, and certain necessities of life, would be exempt from the said proposed Consumers Tax."

The Report of the Commission,⁴ submitted on December 19, 1936, contained a recommendation for the repeal of the public revenues tax. Its conclusions were as follows:

"The Commission recommends the abolition of the Public Revenue tax, principally for the following reasons:

- (i) It represents an invasion by the Provincial Government of the only important sphere of taxation that the

³ Proceedings 32nd Annual Convention, Saskatchewan Association of Rural Municipalities, (1937), p. 25.

⁴ Jacoby Report, p. 103.

municipalities can effectively administer.

(i) The facts show that property-owners as a class have been called upon to support burdens of government in general far in excess of any benefits to property as such. The Commission considers that this condition would remain true even without the levy of the Public Revenue tax by the Province, and that such levy enlarges the inequity.

(ii) The Provincial Government is in a position effectively to administer personal taxes based on income and on consumption of goods and services. These taxes should be resorted to instead of the levy of an additional burden upon owners of real estate, and are hereafter recommended.

(iv) Some relief from the property tax burden must be given owners of realty, if the wholesale reversion of property to the municipalities through tax sale proceedings is to be stopped, and the future increase in rates and levies against property remaining in private hands to be avoided. A measure of relief can best be extended through relinquishment by the Province of the Public Revenue tax. Repeal of the Public Revenue tax is a step in the direction of assuring some security of tenure to land."

At the 1947 Annual Convention of the Association a further resolution calling for the removal of the public revenues tax was passed. This, with an extended argument in support was presented to the provincial Cabinet on May 29, 1947, and is referred to in the *Report of the Proceedings of the Forty-third Annual Convention of the Association held in Saskatoon in 1948.*^{*}

So far, however, successive governments have apparently not found the time opportune to repeal this tax. On principle it would appear that the strongest argument for abolition is in terms of the encroachment of the provincial government into the traditional field of municipal revenue sources. This is a powerful argument and merits further consideration.

In addition to the principle involved other pressures have developed which suggest the advisability of the government abdicating the land tax field. There has been a general rise in the rates of taxation on land in recent

years. Having regard to price trends this argument is probably less impressive when anything more than a superficial examination of the facts is undertaken. In the sharply inflationary trend which we have been experiencing it could probably be established that, in terms of real value, mill rates have not actually increased to a degree out of line with the rise in incomes and services received. Nevertheless the nominal increase in mill rates has undoubtedly directed attention rather forcefully to a critical examination of possible avenues of relief.

Furthermore there is probably a feeling among rural taxpayers in different areas and even within closely adjacent areas that land assessment may not be capable of a sufficiently high degree of perfection to ensure an equitable base for the imposition of a province-wide tax.

Inherent in this Report on provincial-municipal relations is the concept that local self government is the basis of the democratic process. It follows, therefore, that municipal institutions must be placed in a financial position to discharge the responsibilities which such a concept imposes. The appearance of a senior government in a taxation field which may be properly regarded as the special preserve of local taxing authorities strikes directly at this underlying principle and is inconsistent with the desirable objective of self reliant local units in the democratic system. It can only, in the ultimate result, promote a tendency to lean more and more heavily on senior governments and at one and the same time induce a lack of interest in self help and probably an exaggerated idea of the ability of the senior government to provide the services which, because of restricted taxing powers, the municipality is unable to take care of itself. Thus there will arise ever increasing pressure for additional financial assistance from the provincial government in the form of increased grants for education and other services or for higher standards of existing services.

4. THE SIGNIFICANCE OF THE LAND TAX IN PUBLIC FINANCE

It might be assumed from the foregoing discussion that land is presently over-taxed, as has been alleged in many quarters. We now propose to examine the validity of these opinions. There can be little question that a most important factor in determining the propriety of the level of any tax is ability to pay. Therefore, in a predominantly agricultural province

* At pp. 53 and 54.

like Saskatchewan, considerable weight may properly be given to the relationship of real property taxes in rural municipalities to farm income. Moreover, a mill rate has little significance in itself unless the value of the land assessed remains constant.

In order that the facts may be clearly set forth, Table I has been prepared. This shows, for the calendar years 1926 to 1948 inclusive, the real property tax in rural municipalities, the cash income from the sale of farm products, the percentage relationship between these data, together with index numbers, including the wholesale price index.

Some caution should be observed in the analysis and interpretation of these figures. The tax levy is, within limits, relatively stable, but reflects in some measure general economic conditions. Farm income on the other hand shows violent fluctuation from year to year. Three distinct levels of income, 1926-29, 1930-40, and 1941-48 are revealed in the years for which data are available. With such sharp

variations within this period it would be extremely hazardous to suggest a level of income which might be regarded as a reasonable long-term expectation. Furthermore, the data are provincial totals and sharp variation of income levels between various parts of the province has always been a feature of the Saskatchewan agricultural economy. In the final analysis it is, of course, net income which measures the ability to pay and which, to the extent of the validity of these comparisons, determines whether or not the land may be regarded as over-taxed. The inclusion of Dominion government payments under assistance policies, chiefly the Prairie Farm Assistance Act, from 1939 to 1948, introduces some lack of comparability. These payments have in substantial measure obviated the necessity for relief which was required in previous years. The data do not in any way reflect the assistance in that form granted in the crop failure and depression period of the nineteen-thirties. No claim is made, therefore, that these figures can be regarded as an absolute measure of the equity

TABLE I
TAX BURDEN OF SASKATCHEWAN RURAL MUNICIPALITIES, 1926 TO 1948

Year	(1) General School & Public Revenues Tax Levies on Real Property (\$000)	(2) Cash Income from the Sale of Farm Products* (\$000)	(3) Index Numbers Column One (1926 = 100)	(4) Index Numbers Column Two (1926 = 100)	(5) Wholesale Price Index (1926 = 100)	(6) Column One as a Per- centage of Column Two (percent)
1926	14,181	291,142	100 0	100 0	100 0	4 9
1927	14,078	271,475	99 3	93 2	97 7	5 2
1928	14,693	321,506	103 6	110 4	96 4	4 6
1929	15,315	245,133	108 0	84 2	95 6	6 2
1930	15,232	122,398	107 4	42 0	86 6	12 4
1931	13,161	70,608	92 8	24 3	72 1	18 6
1932	11,355	77,634	80 1	26 7	66 7	14 6
1933	9,494	76,611	66 9	26 3	67 1	12 4
1934	9,352	93,372	65 9	32 1	71 6	10 0
1935	9,685	108,143	68 3	37 1	72 1	9 0
1936	9,767	125,840	68 9	43 2	74 6	7 8
1937	10,779	84,162	71 8	28 9	84 6	12 1
1938	10,287	93,141	72 5	32 0	78 6	11 0
1939	10,301	159,961	72 6	54 9	75 4	6 4
1940	11,250	157,930	79 3	54 2	82 9	7 1
1941	11,392	180,182	80 3	61 9	90 0	6 3
1942	11,650	228,823	82 2	78 6	95 6	5 1
1943	11,992	344,939	84 6	118 5	100 0	3 5
1944	12,397	555,289	87 4	190 7	102 5	2 2
1945	13,161	412,519	92 8	141 7	103 6	3 2
1946	14,839	400,050	104 6	137 4	108 7	3 7
1947	16,073	439,313	113 3	150 9	129 1	3 7
1948	18,187	537,267	128 2	184 5	153 4	3 4

* From data supplied by Dominion Bureau of Statistics. Includes certain federal government payments, 1939-48, under the Prairie Farm Assistance Act, Wheat Acreage Reduction Act, and Prairie Farm Income Act.

of the level of real property taxation. As an indication, however, and subject to the analysis which follows, they should be treated with considerable respect.

Attention is directed to the index numbers showing the course of property tax levies, farm income and wholesale prices, on the base of 1926=100. Tax levies fell steadily from an index of 108.0 in 1929 to 65.9 in 1934, a decline of approximately 42 points. The recovery from 1934 to 1945 was more gradual being approximately 27 points. The increase was sharper between 1945 and 1948 reaching 128.2 in the latter year—a further rise of about 35 points. It is probably this feature that has created the impression of a heavy increase in land taxes. It should be noted, however, that the overall increase 1929 to 1948 was of the order of only 20 points.

Looking at the index numbers of farm income it will be observed that the decline started a year earlier than that of tax levies and that farm income fell faster and farther. The low point of 24.3 was reached in 1931, and income remained at very low levels until 1938. The first significant signs of recovery appeared about 1941 and the upward trend proceeded steadily to 184.5 in 1948, or a figure more than seven times that of 1931 or 74 points higher than in 1928.

Further light is thrown upon the significance of trends when comparison is made with the general course of wholesale prices as

a reflection of the general price and cost changes. The general price level reached its lowest point in 1932 at 66.7. This was followed by steadily rising prices reaching 153.4 in 1948. Comparing the movements of these indexes for certain years presents an interesting picture. Property tax levies have followed the general trend of wholesale prices and cash income, although the response of levies has not been immediate and the tax levy has followed the direction but not the degree of change in cash income. Tax levies in recent years have risen steadily but have not nearly reached the relative levels to which cash income has risen. This is clearly indicated by column 6 showing the percentage of cash income from sale of farm products which goes for paying taxes on real property. For many depression years this proportion amounted to more than ten per cent. Since then the proportion has fallen sharply and for the past six years has averaged less than 3½ per cent. This is sharply lower than the proportion for any preceding period shown including that of the late nineteen-twenties.

It is thus clearly evident that property tax levies have not imposed any unduly heavy burden, in relative terms, on land in rural areas. There can be little doubt that if the sale value of farm land were to be taken as the criterion and an assessment based thereon the mill rate in the last decade would have been sharply reduced.

TABLE II

REVENUES FROM REAL PROPERTY TAXES AND PUBLIC UTILITY SURPLUSES
COMPARED WITH TOTAL MUNICIPAL REVENUES FOR THE CITY
OF REGINA FOR SELECTED YEARS, 1929 TO 1947*

Year	(1) Total Municipal Revenues (\$000)	(2) Real Property Taxes (\$000)	(3) Column Two as a Percentage of Column One (percent)	(4) Public Utility Surpluses (\$000)	(5) Column Four as a Percentage of Column One (percent)
1929	2,514	1,596	63.5	332	13.2
1935	2,917	1,935	66.3	448	15.4
1938	3,214	1,806	56.2	548	17.0
1941	3,046	1,752	57.5	775	25.4
1944	3,236	1,685	52.1	1,096	33.9
1947	4,228	1,847	43.7	1,445	34.2

* School taxes are included in real property taxes but school grants received from the province are not included in total revenues. A breakdown of school grants by cities was not available for the earlier years. Because the grants have increased since 1929 the decrease in the real property tax as a percentage of total revenue would have been even greater if the grants had been added to total municipal revenues.

The difficulties involved in appraising the burden of taxation in rural areas have been noted. A similar analysis applied to urban units presents even greater problems. In the case of analyzing the propriety of the level of city taxation, for instance, there is, just as in the rurals, the lack of an absolute yardstick of values as well as the lack of a usable measure of total income of taxpayers. Then there is also the factor of a substantial increase in assessable property and the fact that in some cases this has taken place at little added expense for services, while in other cases the increase has involved very substantial outlays for extensions of services. Further complications are introduced by the large number of sources of revenue from licences, fees for service, utility profits, etc.

For the purpose of this analysis the City of Regina has been chosen as an example. Data are also presented for all cities combined.

Because of the importance of public utility profits in holding down property taxes it may be well to indicate at this point the relative and absolute revenues derived from this source compared with real estate taxes. This is shown in Table II.

Beginning with real property contributing 63.5 percent of total municipal revenues in Regina, in 1929, the proportion rose slightly to 66 per cent. in 1935, decreased to 56 per cent. in 1938, continued to decrease slightly to 52 per cent. in 1944 and then decreased sharply to less than 44 per cent. in 1947. Public utility surpluses as a percentage of total revenue rose without interruption through all the years, beginning at 13 per cent. in 1929 and reaching 34 per cent. in 1947.

The same trends in the relative significance of revenues from real estate and utilities is apparent in the statistics for all cities as shown in Table III.

TABLE III

REVENUES FROM REAL PROPERTY TAXES AND PUBLIC UTILITY SURPLUSES
COMPARED WITH TOTAL MUNICIPAL REVENUES FOR ALL
SASKATCHEWAN CITIES, 1929 AND 1947*

Year	(1) Total Municipal Revenue (\$000)	(2) Real Property Taxes (\$000)	(3) Column Two as a Percentage of Column One (percent)	(4) Public Utility Surpluses (\$000)	(5) Column Four as a Percentage of Column One (percent)
1929.....	7,404	4,802	65	947	13
1947.....	10,474	5,455	52	2,946	28

* School taxes included. See footnote to Table II

Source: *Annual Reports* Department of Municipal Affairs, Province of Saskatchewan.

As indicated above, a precise analysis of the property tax burden in cities presents great difficulties. While it can be said that the prosperity of any city in this province is dependent upon agricultural income the relationship is much less immediate and direct comparisons are less acceptable than in the case of rural municipalities.

After an examination of considerable data, however, the Committee has become convinced that the conclusions reached in respect of rural municipalities are also applicable to urban areas. It is the considered judgment of your Committee that real property cannot, on the whole, be said to be bearing an increasing portion of the cost of civic services. The availability of utility surpluses has cushioned the effect of the rising costs of local government

and relieved property from its effects in many urban areas although not, of course, without cost to the patrons of the utility.

An effort has been made to assess the tax burden on land by considering the rurals and urbans separately. Before concluding this discussion it may be advisable to look at the whole provincial picture and for this purpose Table IV has been prepared, using the two years, 1929 and 1947, examined in Table III.

A first observation concerns the relative burden of local taxation. The total revenue derived from the real property tax in Saskatchewan increased by less than \$3 million or about 12 per cent. between 1929 and 1947. Taking the same two years, the cash income from the sale of farm products increased by

about 80 per cent. The cost of living index stood at 121.7 in 1929 as against 136.7 for 1947 (1935-39 = 100). It seems clear that if the tax burden on real property was heavy in 1947 then it must have been oppressive in 1929.

A further reference to Table IV reveals that while taxes on real property increased only from \$23 million to \$25½ million between 1929 and 1947, total revenues from all sources rose from \$42 million to \$86 million. Thus, there is absolutely no justification for suggesting that the burden of expanding services is being placed on real property. As indicated in Part III above, the increased revenues have been derived from such sources as the gasoline tax, the education tax and liquor profits.

No one can deny that the people of Saskatchewan, and the people of the other provinces, are paying more taxes than they paid two decades ago. This increase is but a reflection of the growth of government activity in services such as education, health, welfare and roads. Services are provided at Dominion, provincial and municipal levels. There is no evidence that people as a whole desire to have less of their real income provided by the various governments. If these services are to be continued it seems evident that revenues will be raised by taxation in some form.

It should be stated again that the increased burden has not been placed on land. It might also be suggested that economic conditions such as now prevail in the rural areas are not likely to continue indefinitely. A higher tax rate might well be justified for the creation of reserves and the making of needed improvements.

5. URBAN ASSESSMENT

In recent years a large part of the protest against the rising mill rate as well as allegations that real estate is bearing too great a burden have come from the urban municipalities. Your Committee is inclined to think that, so far as it comes from individual owners, in many instances the complaint is justified, and that the explanation lies in faulty urban assessments.

Your Committee wishes to make two objections to present urban assessments. The first has reference to the assessment of improvements at not more than sixty per cent. of value. The practice of assessing land and improvements separately, the former at full value, can surely be nothing other than a survival of single tax theories. We can see nothing to commend the practice. Neither in

law nor in commercial transactions is the building separated from the land. It is certainly true, moreover, that land rarely has a commercial value in use until it is improved and that most taxes are paid from income, directly or indirectly. Your Committee suggests, therefore, that it is high time that all urban improvements be assessed at full value.

The second complaint has reference to the technique of assessment in an effort to find value. Assessment of the building separately from the land, coupled with use of the cubic content method, yields, in our submission, a very unreliable estimate of value. Real value depends on other things than size. Surely the object is to find the real value of the improved land, a thing with reference to which the owner may justly be required to pay taxes.

The proposition that all urban improvements be assessed at full value has been recommended to the government of Saskatchewan on at least two occasions—in 1936* and in 1943.† Your Committee is strongly of the opinion that this matter should receive further consideration by the government of Saskatchewan.

6. ABOLITION OF THE PUBLIC REVENUES TAX

The tax on real property appears likely to continue as the major source of revenue for most municipalities in Saskatchewan as, indeed, in the other provinces of Canada. This holds true for the United States as well.‡

Your Committee is not in a position to say that the tax on real property is the best possible tax, but it is clearly a very useful form of taxation. From the administrative point of view it is an excellent tax: the asset cannot be removed and the technique of collection is simplicity itself. On the whole it must also be classed as a moderately progressive tax, for landowners commonly have some wealth, even though the burden of the imposition of the tax on small home owners may become onerous.

Although the real property tax is a good form of taxation, it may be overdone. It is overdone when it discourages home building or the development of a locality. Yet there is no

* *Jacoby Report*, pp. 178-9 and 183-4.

† *Report of the Saskatchewan Urban Assessment Committee*, (Regina, King's Printer, 1943), p. 71.

‡ *State-Local Relations*, The Council of State Governments, (1946), p. 91.

TABLE IV

ALL REAL PROPERTY TAXES IN SASKATCHEWAN AS COMPARED WITH TOTAL MUNICIPAL, AND PROVINCIAL REVENUES IN 1929 AND 1947.

Year	(1) Main Provincial Revenues * (\$000)	(2) Total Municipal Revenues † (\$000)	(3) Combined Provincial Municipal Revenues (\$000)	(4) Taxes on Real Property for Municipal, School and Public Re- venue Purposes ‡ (\$000)	(5) Column Four as a Per- centage of Column Three (percent)
1929	15,371	26,971	42,342	22,951	54.2
1947	52,438	33,657	86,095	25,731	29.9

* As per public accounts, but adjusted to exclude Dominion contribution to old age pensions and to include liquor profits earned in year.

† Includes revenue from real estate and business taxes, licences, public utility surcharges, etc. Does not contain Local Improvement District levies for school purposes in 1929 since no statistics are available.

‡ Includes revenue raised from real estate only.

evidence that this is occurring in Saskatchewan at the present time. It could, however, readily occur in the event of a recession or if the tax level were substantially raised.

Despite the fact that we have been unable to find that the real burden of the real estate tax has increased in recent years, your Committee is of the opinion that the time has come for the abolition of the public revenues tax. The reasons may be summarized under the following heads:

1. Your Committee has found widespread dissatisfaction with this tax. This has been evident from resolutions of the two large municipal associations for many years. The Committee has become satisfied through meetings with the executive of the rurals that the feeling is both genuine and strong even though abolition should involve the substitution of another type of tax.

2. Your Committee is of the opinion that, even though the tax is not particularly onerous at the moment, its abolition would put the municipalities in a better position to cope with the demands for increased services, particularly in the construction and maintenance of highways.

3. It has been pointed out above that your Committee is satisfied that at the present time the real estate tax is not onerous in either absolute or relative terms. This conclusion seems fully warranted after an examination of the factual data, particularly those appearing in Table I.

Your Committee, nevertheless, is equally satisfied that the tax burden on land in Saskatchewan has been extremely onerous at certain periods in the past, so onerous that the levy has been nearer to a confiscation than a tax. Table I has shown that the levy in rural municipalities for 1931 represented 18.6 per cent. of the cash income from the sale of farm products. That tax constituted an unconscionable burden should be obvious and if further proof is necessary it will be found in the fact that in 1931 the total of tax collections, arrears and current, amounted to only 65.7 per cent. of the current levy (see Table V, Part VIII). In the decade 1930-39 it appears that in seven of the ten years the tax levy represented ten per cent. or more of the cash income from the sale of farm products. Collections were poor and in 1937 actually amounted to only 40.9 per cent. of the levy.

It is unlikely that economic conditions in Saskatchewan will reach the low level of the nineteen-thirties in the near future. It is submitted, nevertheless, that any significant decline in the prices of farm products, particularly if coupled with an increase in municipal expenditures for relief purposes, would result in a heavy tax burden on real property in Saskatchewan.

4. Your Committee is of the opinion that it is highly desirable that the municipalities should have one field that they can call their own. Allocation of this field to the local units would go far in the direction of developing a feeling of responsibility. They would realize that they have one dependable and significant

field of revenue with reference to which their plans can be made.

5. The principle that the real estate tax field should be considered as belonging to the municipalities exclusively in practice is pretty well conceded in Canada. Remnants of a provincial tax on land remain in only three of the other provinces, viz., Alberta, Manitoba and Nova Scotia, and for the last fiscal year available the combined collections in these three provinces for provincial purposes amounted to only \$442,614.

6. Abolition of this tax was recommended by a Royal Commission after a thorough examination of the fiscal structure of the province.*

7. The present is a reasonably opportune time for securing this field to the municipalities. Provincial revenues are comparatively buoyant and the adjustment could be made with much less shock than in a period of depression.

7. CROWN PROPERTY

In the opinion of your Committee the exemption of Crown property of a commercial nature from municipal taxation is indefensible. This observation applies to property owned in the right of Canada as well as that owned in the right of Saskatchewan.

If the government chooses to go into business there seems to be no reason whatever why it should not contribute to civic revenues just as any competitor does. In many cases a governmental agency acquires property and that property is simply taken off the tax roll to the detriment of the local body.

Your Committee is aware that property of the Crown is exempt from taxation under section 125 of the British North America Act, 1867. This provision, however, does not prevent appropriate provincial legislation either making Crown property subject to taxation or providing for grants equivalent to the municipal tax.

Your Committee accordingly is of the opinion that appropriate legislation should be enacted under which Saskatchewan Crown companies or commercial agencies shall pay municipal taxes and levies to the same extent as private owners would be liable for such taxes or levies. This action was recommended, in substance, by the Jacoby Commission.¹⁰ The

present annual cost to the province would be in the neighbourhood of \$250,000.

Without making any formal proposal, your Committee suggests that attention should be given to the question of making some contribution to municipal revenues in the case of non-commercial buildings. This would be solely on the basis of payment for services rendered.

The government is to be congratulated for procuring the passage of legislation making the railway companies liable to municipal taxation, as far as this is constitutionally possible. It is suggested that the whole list of exemptions should be carefully examined. It is undesirable that the municipalities should be required to subsidize any enterprise unless the public good is being served thereby.

8. THE SHARING OF TAXES

There is a considerable body of public opinion which advocates the sharing of the proceeds of provincial taxes with the municipalities on a percentage basis. If this principle were to be adopted the two items of provincial tax revenue that could be most conveniently shared would be liquor profits and the proceeds of the gasoline tax.

Your Committee has given close attention to this proposal but can find nothing to commend it. The proposal invites rejection for several reasons:

(a) There is no evidence that the municipalities in general have shown a need for this revenue;

(b) There is no evidence that the municipalities would spend the monies more efficiently or for more necessary purposes;

(c) The proposal violates the elementary principle that as far as possible the body spending money should have the responsibility of raising it;

(d) No formula suggested, e.g. division on a per capita basis, would meet the only rational excuse for the handing over of provincial funds, i.e. the satisfaction of needs. It is much more likely that if divided on a per capita basis the areas that least need support would get the largest portion of the tax proceeds to be divided;

(e) Revenue from the sharing of these taxes would be drastically reduced in those periods when the municipalities were most in need of assistance.

* See *Jacoby Report*, p. 103.

¹⁰ *Ibid.*, p. 182.

Your Committee therefore rejects categorically the tax sharing proposal. This does not mean, however, that on occasion it may not be necessary for the province to come to the relief of particular areas in order that a minimum of services may be preserved. In the opinion of your Committee this should be done by grants rather than by tax sharing, such grants being handled by the Municipal Advisory Commission which will be discussed later in this Report.

A system of grants would have obvious advantages over a tax sharing policy: (a) the money would go where the money is actually needed; (b) there would be a species of control by the body responsible for raising the money; (c) grants would be made only after adequate investigation; (d) areas receiving such grants would be required to have exhausted reasonable means of self help and show a record of efficient administration.

2. OTHER SOURCES OF REVENUE

Rural municipalities, as a matter of necessity, must rely almost entirely on taxation of land to provide revenue for essential services. In urban localities, as has been stated before, land is the most important source of revenue, but there are other sources of measurable significance.

Your Committee does not propose to make an exhaustive enumeration of these sources here. Mention might be made of the poll tax, the occupancy tax and the amusement tax, licence fees and parking meters. There is also the possibility of service charges, as for garbage and refuse removal. Then there is the very important source of revenue from the operation of public utilities with which may be coupled the imposition of special taxes where the utility is not owned by the municipality.

Your Committee has made an examination of these alternative sources of revenue and has concluded that in many cases the municipal-

ities have not given sufficient attention to existing possibilities.¹¹

A Municipal Advisory Commission, if established, would be in a position to study these possible sources and give advice to the municipalities.

10. IMPLEMENTATION OF FISCAL PROPOSALS

The proposals considered favourably in this Part would cost the provincial Treasury in the neighbourhood of \$2 million a year, under present conditions. This is in addition to the increased grant to the Saskatchewan Anti-Tuberculosis League, dealt with in Part V, which would cost an estimated \$280,000 annually.

The proposal that the public revenues tax should be abolished involves the major change in fiscal relationships. The justice of this tax has been a matter of controversy for three decades. It has seemed to your Committee that in good times the argument used to justify retention of the tax has been that the municipalities did not need to be relieved, whereas in a period of depression the government could not afford to forgo the revenue. If the conclusions of the Committee are sound, means should be taken to resolve this dilemma.

The responsibility is of course that of the government and of the legislature. There can be no doubt that the implementing of the proposals will involve an appreciable dislocation of provincial finances. Three years would, in the opinion of your Committee, be a reasonable period in which to implement all the proposals advanced in this Part, if the government should decide to proceed by progressive stages.

¹¹ See Louis Jacobs, F.C.A., "Sources of Municipal Revenue", (*Report of Forty-Fourth Annual Convention, Saskatchewan Urban Municipalities Association, 1949*), p. 49.



PART VIII

Provincial-Municipal Fiscal Relations

1. INTRODUCTION

In Part III of this Report an analysis was offered of provincial finances in Saskatchewan. An attempt was made to describe the major trends in total provincial revenues and expenditures and in the more important subdivisions of such revenues and expenditures,

particularly over the last 30 years. In this Part of the Report an analysis will be made of the main features of municipal finance in Saskatchewan including consideration of municipal revenues, expenditures and indebtedness. A comparison will be made of the main items of Saskatchewan municipal revenues and ex-

TABLE I

CURRENT REVENUES OF SASKATCHEWAN MUNICIPALITIES BY SOURCES FOR SELECTED CALENDAR YEARS, 1922 TO 1948.

(In thousands of dollars)

	1922	1923	1930	1935	1940	1945	1947	1948
TAXATION FOR MUNICIPAL PURPOSES								
Cities	\$ 3,233	\$ 2,822	\$ 2,980	\$ 3,245	\$ 2,932	\$ 2,496	\$ 2,749	\$ 3,411
Towns	1,348	1,179	1,999	912	875	599	1,323	1,552
Villages	647	633	779	641	648	718	998	1,219
Rural Municipalities	5,647	5,466	6,501	4,113	5,115	6,186	7,685	8,979
Local Improvement Districts	58	78	123	143	194	255	305	322
Total	10,933	10,569	11,484	9,074	9,784	10,554	12,960	15,483
SCHOOL TAXES								
Cities	1,979	2,039	2,700	2,453	2,119	2,734	3,227	3,581
Towns	974	862	842	573	556	726	968	1,151
Villages	740	737	906	940	530	736	997	1,178
Rural Municipalities	7,093	6,814	7,513	3,821	4,567	6,031	7,954	8,909
Local Improvement Districts	—	—	—	—	294	203	368	417
Total	10,786	10,472	11,961	7,387	8,286	10,430	13,514	15,374
INVESTMENT EARNINGS INCLUDING PENALTIES ON TAX ARREARS								
Cities	137	111	73	178	176	318	292	247
Towns	103	64	41	89	111	75	54	50
Villages	40	43	49	94	136	81	46	39
Rural Municipalities	917	749	730	1,121	1,034	715	520	430
Local Improvement Districts	—	—	—	—	30	23	21	21
Total	1,197	967	893	1,482	1,490	1,212	933	787
LICENCES AND PERMITS*								
Cities	324	505	749	1,032	775	333	423	469
Towns	108	127	121	105	133	43	63	67
Villages	107	113	98	76	104	18	26	27
Rural Municipalities	839	633	1,033	364	432	3	7	8
Local Improvement Districts	—	—	—	—	2	—	—	—
Total	1,378	1,378	2,001	1,583	1,446	397	519	511
RENTS								
Cities	34	33	48	33	51	88	258	229
Towns	8	9	8	5	13	72	75	82
Villages	—	—	—	—	—	33	52	59
Rural Municipalities	—	—	—	—	—	96	115	117
Local Improvement Districts	—	—	—	—	—	—	—	—
Total	42	42	56	38	64	309	560	487
LAW ENFORCEMENT								
Cities	39	40	56	18	26	36	68	60
Towns	12	15	17	2	4	12	23	23
Villages	—	—	—	—	—	1	2	1
Rural Municipalities	—	—	—	—	—	8	3	2
Local Improvement Districts	—	—	—	—	—	—	—	—
Total	50	55	73	20	30	50	96	86

TABLE 1—Continued
CURRENT REVENUES OF SASKATCHEWAN MUNICIPALITIES BY SOURCES FOR SELECTED
CALENDAR YEARS, 1922 TO 1948

(In thousands of dollars)

	1922	1925	1930	1935	1940	1945	1947	1948
RECREATION AND COMMUNITY SERVICES								
Cities	11	21	16	31	43	88	120	181
Towns	19	19	29	21	26	46	61	67
Villages						30	34	34
Rural Municipalities						90	43	34
Local Improvement Districts								
Total	30	40	45	52	69	254	258	316
SERVICE CHARGES								
Cities						89	154	177
Towns						41	83	97
Villages						11	20	18
Rural Municipalities						164	169	172
Total						305	446	464
GOVERNMENT GRANTS								
Cities						171	181	224
Towns						53	70	75
Villages						14	28	34
Rural Municipalities						527	606	913
Total						565	945	1 246
SURPLUS FROM UTILITIES								
Cities	363	376	872	934	1,412	2,357	2,986	2,845
Towns	- 143	- 71	- 45	- 37	3	67	91	90
Villages						8	12	23
Total	140	305	827	897	1,415	2,432	3,049	2,958
MISCELLANEOUS								
Cities	33	36	39	31	36	84	55	206
Towns	1	21	34	38	34	33	54	42
Villages						46	61	63
Rural Municipalities						292	254	278
Local Improvement Districts						6	12	17
Total	44	57	73	69	70	461	436	606
TOTAL REVENUES								
Cities	6,093	5,983	7 533	7,961	7,790	8,794	10,473	11,570
Towns	2,419	2,216	2,146	1,708	1,753	2,067	2,265	2,296
Villages	1 534	1 546	1,832	1 351	1,441	1 716	2 276	2,695
Rural Municipalities	4,496	13,682	15,777	9,439	11,148	18,905	17 436	19,930
Local Improvement Districts	58	78	123	143	320	487	706	777
Grand Total	\$ 24,600	\$ 23,425	\$ 27,413	\$ 20,602	\$ 22,654	\$ 26,969	\$ 33,656	\$ 38,368

* Several changes were made in 1945 in the categories used for statistical tabulation. Therefore data for the period prior to and that beginning in 1945 are not completely comparable for some of the smaller items. Data for individual years since 1945, however, are comparable.

Source: *Annual Reports, Department of Municipal Affairs of the Province of Saskatchewan*

penditures on a per capita basis in relation to other provinces. Particular attention will be given to the areas of provincial-municipal financial relationships.

The provinces used for purposes of inter-provincial comparison are British Columbia, Alberta, Manitoba and Ontario. Comparisons of provincial-municipal fiscal relations in Saskatchewan on the one hand and in the other two prairie provinces on the other are particu-

larly relevant to the present study because of the similarity in the basic economic problems encountered throughout the prairie region. Comparisons with British Columbia and Ontario are also useful if for no other reason than that these provinces are contiguous to the prairie area. While the British Columbia economy would appear, superficially, to be most unlike that of Saskatchewan, the two have a fundamental similarity in that both are highly

specialized export economies, dependent for their material well-being upon the vagaries of overseas markets. The Ontario economy, by way of contrast, is more mature, more diversified and wealthier than that of Saskatchewan or of any of the other provinces referred to in this study. A comparative analysis of provincial-municipal relations in Saskatchewan and these other provinces is well designed to reveal the strong points as well as the weaknesses in the customary comparisons made in this province.

2. TRENDS AND INTERPROVINCIAL COMPARISONS IN MUNICIPAL FINANCE

Tables I to VIII inclusive outline the trends in Saskatchewan municipal finance from 1922 to 1948. Tables I to IV present an analysis of the development of municipal revenues and expenditures in Saskatchewan since the early nineteen-twenties. In Table I the increase in total municipal revenues since 1922 is apparent as well as the overwhelming importance of municipal and school taxes in proportion to total municipal revenues. Utilities' surpluses,

TABLE II

PER CAPITA REVENUES OF SASKATCHEWAN MUNICIPALITIES BY SOURCES FOR SELECTED CALENDAR YEARS, 1922 TO 1948.

	1922	1925	1930	1935	1940	1945	1947	1948
TAXATION FOR MUNICIPAL PURPOSES								
Cities	\$ 33.05	\$ 26.42	\$ 20.61	\$ 22.09	\$ 19.58	\$ 15.01	\$ 15.98	\$ 19.34
Towns	21.90	17.53	17.05	14.00	14.24	12.86	16.47	17.79
Villages	10.73	9.72	10.21	8.27	8.91	9.36	12.00	14.26
Rural Municipalities	11.13	9.99	11.03	6.51	8.52	12.11	16.44	19.39
Local Improvement Districts					3.59	5.97	8.15	8.60
Per Capita Average: All Units	14.96	12.39	12.99	9.67	10.42	12.18	15.53	18.23
SCHOOL TAXES								
Cities	20.23	19.08	18.67	16.70	15.38	16.45	18.76	20.31
Towns	15.82	12.92	13.09	8.80	9.05	10.39	13.04	13.19
Villages	12.28	11.61	11.89	6.96	7.56	9.58	11.99	13.79
Rural Municipalities	13.98	12.22	12.75	6.02	7.61	11.21	17.01	19.43
Local Improvement Districts					5.45	4.76	9.82	11.15
Per Capita Average: All Units	14.83	13.15	13.68	7.99	8.82	12.04	16.20	18.04
INVESTMENT EARNINGS INCLUDING FINANCIALS ON TAX ARREARS								
Cities	1.40	1.04	.50	1.21	1.17	1.91	1.79	1.40
Towns	1.67	.95	.64	1.36	1.81	1.07	.72	.57
Villages	.67	.67	.65	1.21	1.92	1.05	.56	.46
Rural Municipalities	1.81	1.34	1.24	1.77	1.72	1.40	1.11	.93
Local Improvement Districts					.36	.84	.57	.56
Per Capita Average: All Units	1.65	1.21	1.02	1.60	1.59	1.40	1.12	.93
LICENSES AND PERMITS*								
Cities	3.31	4.72	5.18	7.06	5.14	2.00	2.46	2.32
Towns	1.75	1.90	1.89	1.62	2.16	.62	.85	.77
Villages	1.78	1.74	1.28	.98	1.43	.23	.31	.32
Rural Municipalities	1.85	1.13	1.75	.57	.72	.01	.02	.62
Local Improvement Districts					.63			
Per Capita Average: All Units	1.90	1.73	2.29	1.71	1.54	.46	.62	.60
RAVENS								
Cities	.35	.31	.33	.23	.34	.53	1.30	1.30
Towns	.14	.14	.13	.08	.21	1.03	1.02	.94
Villages						.70	.62	.69
Rural Municipalities						.19	.25	.25
Local Improvement Districts								
Per Capita Average: All Units	.06	.05	.06	.04	.07	.36	.60	.57
LAW ENFORCEMENT								
Cities	.40	.37	.38	.12	.18	.22	.39	.34
Towns	.19	.23	.26	.04	.06	.17	.30	.26
Villages						.02	.02	.02
Rural Municipalities						.002	.007	.005
Local Improvement Districts								
Per Capita Average: All Units	.07	.07	.08	.02	.03	.06	.11	.10

TABLE II—Continued

PER CAPITA REVENUES OF SASKATCHEWAN MUNICIPALITIES BY SOURCES FOR SELECTED CALENDAR YEARS, 1922 TO 1948.

	1922	1925	1930	1935	1940	1945	1947	1948
RECREATION AND COMMUNITY SERVICES								
Cities.....	.11	.19	.11	.21	.28	.53	.70	1.01
Towns.....	.31	.28	.45	.33	.41	.65	.82	.77
Villages.....						.39	.41	.49
Rural Municipalities.....						.18	.09	.08
Local Improvement Districts.....								
Per Capita Average: All Units.....	.04	.05	.05	.06	.07	.29	.31	.37
SERVICES CHARGES								
Cities.....						.53	.89	1.01
Towns.....						.38	1.12	1.11
Villages.....						.15	.24	.21
Rural Municipalities.....						.32	.49	.37
Local Improvement Districts.....								
Per Capita Average: All Units.....						.35	.53	.55
GOVERNMENT GRANTS								
Cities.....						1.03	1.05	1.27
Towns.....						.76	.94	.85
Villages.....						.18	.33	.40
Rural Municipalities.....						.64	1.43	1.97
Local Improvement Districts.....								
Per Capita Average: All Units.....						.65	1.13	1.47
SURPLUSES FROM UTILITIES								
Cities.....	3.09	3.52	6.03	6.36	9.37	14.18	17.12	16.14
Towns.....	1.64	1.07	.79	.57	.05	.96	1.23	1.03
Villages.....						.10	.15	.27
Per Capita Average: All Units.....	.19	.38	.95	.97	1.51	2.81	3.64	3.48
MISCELLANEOUS								
Cities.....	.34	.34	.27	.21	.24	.50	.32	1.17
Towns.....	.17	.32	.53	.58	.56	.48	.72	.48
Villages.....						.69	.73	.74
Rural Municipalities.....						.57	.54	.60
Local Improvement Districts.....						.13	.32	.45
Per Capita Average: All Units.....	.06	.07	.08	.07	.07	.53	.52	.71
TOTAL REVENUES								
Cities.....	62.28	56.00	52.10	54.19	51.66	52.90	60.87	65.62
Towns.....	39.30	33.19	33.36	26.24	28.56	29.57	37.22	37.75
Villages.....	25.66	23.73	24.04	17.41	19.82	22.36	27.16	31.55
Rural Municipalities.....	26.57	24.39	26.77	14.48	18.37	27.23	37.29	43.04
Local Improvement Districts.....					9.64	11.42	18.67	20.76
Per Capita Average: All Units.....	\$ 33.75	\$ 29.31	\$ 31.21	\$ 22.14	\$ 24.12	\$ 31.15	\$ 40.33	\$ 45.05

Note: Municipal population figures used in the above calculations were those given in the *Annual Reports*, Department of Municipal Affairs of the Province of Saskatchewan.

Source: *Annual Reports*, Department of Municipal Affairs of the Province of Saskatchewan.

though only a fraction of the magnitude of tax revenues, have, nevertheless, been the next most important source of municipal revenues in recent years. Table II indicates the increase which has taken place in over-all and individual municipal revenues on a per capita basis, particularly since 1940.

Tables III and IV analyze the trends in overall and individual municipal expenditures in total, and on a per capita basis. The predominance of educational costs is the central feature of these tables. The per capita analysis of educational expenditures of local govern-

ments brings out a number of significant points. The increase in the per capita figure for this service is most pronounced between 1935 and 1948 whereas the increase over the longer period from 1922 to 1948 is much less noticeable. In fact, for cities, the per capita expenditures of local funds for education were the same in 1948 as in 1922. For towns the per capita figure was actually less in 1948 than in 1922. In rural municipalities, on the other hand, per capita educational expenditures of the local units were much higher in 1948 than in 1922. (text continued on page 109)

TABLE III

GROSS CURRENT EXPENDITURES OF SASKATCHEWAN MUNICIPALITIES FOR SPECIFIC PURPOSES FOR SELECTED CALENDAR YEARS, 1922 TO 1948.

(In thousands of dollars)

	1922	1925	1930	1935	1940	1945	1947	1948
GENERAL GOVERNMENT								
Cities	\$ 567	\$ 667	\$ 609	\$ 883	\$ 1,133	\$ 1,003	\$ 1,122	\$ 1,115
Towns	303	330	305	297	330	320	379	395
Villages	176	166	209	230	245	215	233	268
Rural Municipalities	1,499	1,572	1,836	2,775	3,054	1,557	1,632	1,678
Local Improvement Districts	49	77	55	14	26	68	104	112
Total	2,694	2,812	2,954	4,199	4,788	3,163	3,499	3,568
PROTECTION OF PERSON AND PROPERTY								
Cities	798	792	1,007	810	886	1,110	1,463	1,583
Towns	189	211	231	182	199	221	277	298
Villages	52	71	130	111	115	132	162	175
Rural Municipalities	376	212	363	190	80	104	214	336
Local Improvement Districts			10		8	3		11
Total	1,415	1,286	1,741	1,253	1,288	1,570	2,121	2,393
MAINTENANCE OF PUBLIC WORKS								
Cities	201	218	470	238	287	331	569	533
Towns	113	110	167	84	123	178	282	357
Villages	103	111	132	95	128	164	243	237
Rural Municipalities	1,948	1,851	2,315	1,152	1,700	3,067	4,790	5,246
Local Improvement Districts			83	68	48	120	78	109
Total	2,365	2,300	3,167	1,637	2,286	4,400	5,962	6,482
HEALTH AND SANITATION								
Cities	337	326	485	362	414	687	768	910
Towns	83	82	97	68	71	120	169	211
Villages	32	37	40	33	38	47	63	61
Rural Municipalities	36	43	53	28	19	40	85	87
Local Improvement Districts							4	5
Total	488	488	675	471	542	814	1,089	1,174
PUBLIC WELFARE*								
Cities	319	299	674	846	1,079	571	752	899
Towns	87	100	200	217	245	182	274	343
Villages	41	42	151	169	195	131	246	309
Rural Municipalities	355	470	978	1,073	1,210	1,774	2,134	2,472
Local Improvement Districts			27	19	31	58	78	15
Total	802	901	2,030	2,324	2,760	2,676	3,484	4,029
RECREATION AND COMMUNITY SERVICES								
Cities						351	497	609
Towns						107	134	146
Villages						114	144	160
Rural Municipalities						35	55	47
Local Improvement Districts								
Total						607	830	962

* Includes Recreation and Community Services prior to 1944.

TABLE III—Continued

GROSS CURRENT EXPENDITURES OF SASKATCHEWAN MUNICIPALITIES FOR SPECIFIC PURPOSES FOR SELECTED CALENDAR YEARS, 1922 TO 1943.

(In thousands of dollars)

	1922	1925	1930	1935	1940	1945	1947	1948
DEBT CHARGES								
Cities	1,250	1,459	1,493	1,735	1,326	1,439	1,161	1,334
Towns	295	335	193	167	122	140	131	145
Villages	123	90	66	49	19	34	36	49
Rural Municipalities	170	157	112	76	13	678	422	575
Local Improvement Districts	—	—	—	—	—	—	—	—
Total	1,837	1,941	1,854	1,927	1,480	2,291	1,750	2,103
CAPITAL EXPENDITURE								
Cities	550	23	201	17	99	344	1,155	1,056
Revenue	—	452	3,422	134	53	—	—	—
Debt Interest Issues	—	—	—	—	—	—	—	—
Towns	144	107	125	46	93	134	239	370
Revenue	—	153	321	25	—	—	—	—
Debt Interest Issues	—	—	—	—	—	—	—	—
Villages	187	132	170	58	74	186	297	278
Revenue	—	29	53	—	16	—	—	—
Debt Interest Issues	—	—	—	—	—	—	—	—
Rural Municipalities	925	1,561	2,050	195	235	830	1,218	1,848
Revenue	—	16	16	—	—	—	—	—
Debt Interest Issues	—	—	—	—	—	—	—	—
Local Improvement Districts	—	—	—	—	—	43	31	53
Revenue	—	—	—	—	—	—	—	—
Debt Interest Issues	—	—	—	—	—	—	—	—
Total from Revenue	1,806	1,823	2,556	316	501	1,537	3,960	3,605
Total from Debt Interest Issues	—	650	3,812	159	69	—	—	—
EDUCATION								
Cities	1,979	2,039	2,700	2,453	2,319	2,734	3,227	3,581
Towns	974	802	842	573	536	726	968	1,151
Villages	740	757	906	540	559	736	997	1,178
Rural Municipalities	7,093	6,814	7,513	1,821	4,567	6,031	7,954	8,997
Local Improvement Districts	—	—	—	—	294	203	368	427
Total	10,786	10,472	11,961	7,387	8,285	10,430	13,514	15,324
TOTAL EXPENDITURES								
Cities	6,001	5,833	7,639	7,324	7,843	8,499	10,714	11,611
Revenue	—	452	3,422	134	53	—	—	—
Debt Interest Issues	—	—	—	—	—	—	—	—
Towns	2,188	2,837	2,160	1,634	1,739	2,128	2,873	3,416
Revenue	—	153	321	25	—	—	—	—
Debt Interest Issues	—	—	—	—	—	—	—	—
Villages	1,453	1,406	1,804	1,285	1,364	1,759	2,441	2,715
Revenue	—	29	53	—	16	—	—	—
Debt Interest Issues	—	—	—	—	—	—	—	—
Rural Municipalities	12,502	12,690	15,230	9,220	10,373	14,656	19,504	21,276
Revenue	—	16	16	—	—	—	—	—
Debt Interest Issues	—	—	—	—	—	—	—	—
Local Improvement Districts	—	—	—	—	—	—	—	—
Revenue	49	77	145	101	407	455	668	722
Debt Interest Issues	—	—	—	—	—	—	—	—
GRAND TOTAL								
From Revenue	\$ 22,193	\$ 22,043	\$ 26,978	\$ 19,564	\$ 21,931	\$ 27,488	\$ 36,200	\$ 39,740
From Debt Interest Issues	—	650	3,812	159	69	—	—	—

Source: *Annual Reports*, Department of Municipal Affairs of the Province of Saskatchewan.

TABLE IV

PER CAPITA GROSS CURRENT EXPENDITURES OF SASKATCHEWAN MUNICIPALITIES FOR SPECIFIC PURPOSES FOR SELECTED CALENDAR YEARS, 1922 TO 1948.

	1922	1923	1930	1935	1940	1945	1947	1948
GENERAL GOVERNMENT								
Cities	\$ 5.80	\$ 6.43	\$ 4.21	\$ 6.01	\$ 7.51	\$ 6.03	\$ 6.52	\$ 6.32
Towns	4.92	4.94	4.74	4.56	5.37	4.57	5.11	4.53
Villages	2.92	2.54	2.74	2.96	3.36	2.81	3.04	3.14
Rural Municipalities	3.15	2.82	3.12	4.37	5.09	3.03	3.49	3.62
Local Improvement Districts					.48	1.59	2.78	2.99
Per Capita Average: All Units	3.64	3.46	3.38	4.53	5.10	3.63	4.18	4.20
PROTECTION OF PERSON AND PROPERTY								
Cities	8.16	7.41	6.96	5.51	5.61	6.67	8.59	8.98
Towns	3.87	3.16	3.39	2.79	3.24	3.16	3.74	3.41
Villages	.86	1.09	1.70	1.43	1.58	1.72	1.95	2.05
Rural Municipalities	.74	.38	.62	.24	.13	.20	.46	.70
Local Improvement Districts					.14	.06	.14	.30
Per Capita Average: All Units	1.93	1.61	1.98	1.36	1.37	1.81	2.54	2.82
MAINTENANCE OF PUBLIC WORKS								
Cities	2.06	2.04	3.25	1.62	1.90	1.99	3.31	3.02
Towns	1.83	1.65	2.60	1.28	2.01	2.53	3.79	4.09
Villages	1.70	1.70	1.73	1.22	1.76	2.14	2.93	2.77
Rural Municipalities	3.84	3.34	3.93	1.81	2.83	7.06	10.24	11.33
Local Improvement Districts					.90	2.81	2.08	2.90
Per Capita Average: All Units	3.25	2.89	3.53	1.70	2.43	5.08	7.14	7.63
HEALTH AND SANITATION								
Cities	3.44	3.05	3.35	2.33	2.75	3.65	4.46	5.16
Towns	1.35	1.23	1.90	1.08	1.15	1.72	2.28	2.42
Villages	.52	.56	.52	.43	.52	.61	.76	.72
Rural Municipalities	.87	.08	.09	.04	.03	.08	.18	.19
Local Improvement Districts							.10	.12
Per Capita Average: All Units	.67	.61	.77	.51	.58	.94	1.30	1.50
PUBLIC WELFARE								
Cities	3.26	2.71	4.66	5.76	7.16	3.44	4.37	5.04
Towns	1.42	1.50	3.11	3.33	3.98	2.61	3.69	3.93
Villages	.68	.64	1.98	2.18	2.68	1.71	2.96	3.62
Rural Municipalities	.70	.84	1.66	1.69	2.02	3.47	4.56	5.34
Local Improvement Districts					.57	.43	2.09	.40
Per Capita Average: All Units	1.10	1.13	2.29	2.50	2.94	3.09	4.18	4.74
RECREATION AND COMMUNITY SERVICES								
Cities						2.11	2.89	3.45
Towns						1.53	1.81	1.67
Villages						1.49	1.73	1.87
Rural Municipalities						.07	.12	.10
Per Capita Average: All Units						.70	1.00	1.13
DRIFT CHARGES								
Cities	12.78	13.66	10.33	11.81	8.80	8.65	6.75	7.57
Towns	4.79	3.52	3.00	2.56	1.98	2.00	1.76	1.67
Villages	2.03	1.38	.86	.63	.26	.45	.43	.57
Rural Municipalities	.34	.28	.19	.04	.02	1.33	.90	1.24
Per Capita Average: All Units	2.53	2.44	2.13	2.14	1.58	2.65	2.10	2.48

TABLE IV—Continued

PER CAPITA GROSS CURRENT EXPENDITURES OF SASKATCHEWAN MUNICIPALITIES FOR SPECIFIC PURPOSES FOR SELECTED CALENDAR YEARS, 1922 TO 1948.

	1922	1925	1930	1935	1940	1945	1947	1948
CAPITAL EXPENDITURES								
Cities: Revenue	5.63	21	1.39	.12	.66	2.07	6.71	5.99
Debt Service Issues		4.23	23.66	.92	.35			
Towns: Revenue	2.33	1.50	1.94	.70	1.52	1.91	3.48	4.24
Debt Service Issues		2.29	4.98	.39				
Villages: Revenue	3.10	2.02	2.23	.75	1.91	2.42	3.57	3.26
Debt Service Issues		.44	.70		.22			
Rural Municipalities: Revenue	1.82	2.80	3.50	.31	.39	1.62	4.74	3.99
Debt Service Issues		.03	.03					
Local Improvement Districts: From Revenue							.82	1.40
From Debt Service Issues								
Per Capita Average: All Units: Revenue	2.48	2.29	2.92	.34	.53	1.77	4.74	4.24
Debt Service Issues		.82	4.36	.17	.07			
EDUCATION								
Cities: Revenue	20.23	19.06	18.67	16.70	15.38	16.45	18.76	20.31
Towns: Revenue	15.82	12.92	13.09	8.80	9.04	10.39	13.04	13.18
Villages: Revenue	12.28	11.61	11.89	6.96	7.56	9.38	11.99	13.79
Rural Municipalities: Revenue	13.98	12.23	12.75	6.02	7.61	11.81	17.01	19.43
Local Improvement Districts: Revenue					5.45	4.76	9.82	11.13
Per Capita Average: All Units: Revenue	14.83	13.13	13.68	7.99	8.82	12.94	16.20	18.04
TOTAL EXPENDITURES								
Cities: Revenue	61.35	54.60	52.83	49.85	50.03	51.06	62.28	65.84
Debt Service Issues		4.23	23.66	.92	.86			
Towns: Revenue	35.52	30.51	33.58	25.07	28.31	30.45	38.71	39.14
Debt Service Issues		2.29	4.98	.39				
Villages: Revenue	24.10	21.55	23.65	16.37	18.74	22.92	29.35	31.79
Debt Service Issues		.44	.70		.22			
Rural Municipalities: Revenue	24.64	22.75	25.85	14.53	18.12	28.70	41.72	45.95
Debt Service Issues		.03	.03					
Local Improvement Districts: Revenue				2.09	7.54	10.67	17.83	19.27
Debt Service Issues								
Per Capita Average: All Units: From Revenue	\$ 39.45	\$ 27.57	\$ 30.69	\$ 21.06	\$ 23.35	\$ 31.73	\$ 43.38	\$ 46.78
From Debt Service Issues		.82	4.36	.17	.07			

Note: Municipal population figures used in the above calculations were those contained in the *Annual Reports*, Department of Municipal Affairs of the Province of Saskatchewan.

Source: *Annual Reports*, Department of Municipal Affairs of the Province of Saskatchewan.

Table V summarizes the experience of Saskatchewan municipalities in tax collections from 1926 to 1948. This Table presents annual collections, including arrears, as a percentage of annual levies for the various types of municipalities. The fluctuations in this ratio for all types of municipalities, reflecting economic conditions throughout the province, are clearly evident. Even more striking is the fact that the collections in the rural municipalities show wider fluctuations than in the urban municipalities. In the depression years of the early nineteen-thirties, rural municipalities in the

province collected only 65 per cent. of their levies while the cities collected a minimum of approximately 80 per cent. In the disastrous crop-failure year of 1937 the rural municipalities collected only 41 per cent. of their levy, but the cities collected 90 per cent. At the other extreme, in 1948 and 1944, respectively, rural municipalities collected 156 and 161 per cent. of their levies while cities collected 108 and 103 per cent. As for towns and villages, their annual collections fluctuated more than those of the cities but measurably less than those of the rural municipalities.

TABLE V

TAX COLLECTIONS, INCLUDING ARREARS, OF SASKATCHEWAN MUNICIPALITIES AS A PERCENTAGE OF CURRENT LEVIES, 1926 TO 1948

Year	Cities	Towns	Villages	Rural Municipalities	All Municipalities
	(percent)	(percent)	(percent)	(percent)	(percent)
1926	97.0	94.1	100.4	104.0	101.7
1927	99.5	97.0	101.4	103.6	102.1
1928	100.9	99.4	96.8	101.6	102.5
1929	102.6	94.2	93.8	95.6	96.8
1930	90.2	79.3	83.1	65.2	72.4
1931	82.4	78.7	83.7	65.7	71.9
1932	78.4	76.8	82.5	76.0	77.1
1933	79.2	75.1	86.8	81.1	80.5
1934	80.0	78.1	87.0	86.3	83.7
1935	88.2	83.3	88.8	81.5	84.0
1936	93.2	86.4	92.3	84.5	87.7
1937	89.5	79.7	71.6	60.9	68.6
1938	95.9	87.1	88.7	60.7	74.6
1939	100.2	98.4	105.6	107.3	104.5
1940	104.2	101.2	104.3	93.4	97.5
1941	102.6	104.1	113.2	94.5	98.5
1942	105.5	110.9	115.1	106.0	106.8
1943	107.5	121.0	124.7	155.7	139.6
1944	102.5	113.8	117.4	161.0	141.6
1945	101.2	104.6	109.2	113.1	109.4
1946	98.5	108.1	101.0	106.6	104.0
1947	94.1	94.3	96.6	99.7	98.2
1948	94.2	93.2	95.2	98.9	97.2

Source. *Annual Reports, Department of Municipal Affairs of the Province of Saskatchewan.*

Tables VI to VIII indicate the developments in the debt position of Saskatchewan municipalities and quasi-municipal units from 1933 to 1948. In Table VI the importance of debenture debt for urban municipalities together with the steady decline in such debt and in the total of urban indebtedness over a fifteen-year period are clearly apparent. For rural municipalities the importance of provincial loans and guarantees and the erratic impact of the granting and cancellation of such loans are evident. Table VII shows the changing debt position of school districts, rural telephone companies, union hospital districts and drainage districts. Table VIII combines the debt totals of Saskatchewan municipalities and quasi-municipal units and indicates a combined total peak figure of over \$105 million in 1938 which had been reduced to \$28 million by 1948.

Tables IX and X present an interprovincial comparison of municipal revenues and expenditures broken down into major groupings for the calendar year 1947, the latest year for which such comparative statistics were available. In each instance, in addition to the total dollar amounts, the figures are reduced to a per capita basis for comparative purposes.

Considering first the over-all totals of revenues and expenditures it is a point of some interest that the per capita figures show rela-

tively small divergence from province to province. Among the five provinces dealt with the spread in per capita municipal revenues (in 1947) was between a low of \$37.11 for Manitoba and a high of \$44.44 for Alberta. The Saskatchewan figure of approximately \$40 (\$40.33) was second lowest of the five provinces. Total municipal expenditures (see Table X) exceeded revenues in all provinces except British Columbia, the difference being financed out of reserves. The spread in per capita expenditures was from a low of \$40 in Manitoba to a high of \$45 in Alberta. Within this range, however, Saskatchewan at \$43.38 was above the mid-point and above both Manitoba and Ontario.

In terms of particular sources of revenue, Table IX indicates the heavy reliance of the municipalities in all provinces on taxation, basically, of course, on property taxation. This reliance is rather more pronounced for the prairie provinces than for either Ontario or British Columbia. Saskatchewan municipalities derived \$31.73 of total per capita revenues of \$40.33 from this source in 1947.

Among the other sources of revenue the chief divergences of significance relate to utilities' surpluses and government grants. Saskatchewan urban municipalities rely much more heavily on utilities' surpluses than do the urban municipalities in other provinces. The

TABLE VI
LIABILITIES OF SASKATCHEWAN URBAN AND RURAL MUNICIPALITIES, 1933 TO 1948.
(In thousands of dollars)

Year	Net Debt (are Debt *		Ordinary Bank Loans †		Provincial Government Loans and Guarantees		Accounts Payable		Total	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
1933	\$ 30,694	\$ 155	\$ 3,804	\$ 1,676	\$ 294	\$ 4,530	\$ 2,922	\$ 2,695	\$ 37,814	\$ 11,065
1934	29,500	148	4,150	2,444	321	9,672	1,797	3,694	35,768	15,958
1935	28,720	147	4,000	2,468	498	20,775	1,752	3,845	34,970	27,230
1936	28,026	139	3,507	2,385	529	25,172	1,758	2,440	33,820	31,126
1937	26,937	140	3,436	3,101	513	25,876	2,213	7,047	33,159	36,164
1938	23,942	143	3,244	2,872	570	41,470†	2,516	9,127	32,272	34,507
1939	25,123	133	2,945	2,632	933	42,089	2,424	4,964	31,425	49,209
1940	24,636	120	2,120	1,631	696	39,217	2,146	4,253	29,598	45,721
1941	25,339	200	1,555	1,308	697	39,626	1,839	5,471	27,490	44,665
1942	21,898	327	919	1,639	648	46,056	1,696	2,764	25,069	41,200
1943	20,009	434	485	657	636	38,977	1,531	1,691	23,261	41,759
1944	19,450	269	693	849	242	37,112	1,062	883	21,417	39,112
1945	16,389	192	541	449	182	28,921	946	648	18,558	30,205
1946	13,947	171	161	300	150	24,782	963	545	15,241	25,807
1947	12,629	119	469	421	139	4,901*	1,324	825	14,561	6,026
1948	14,506	102	468	682	138	3,613	1,397	506	16,509	4,817

* Includes debentures which are a direct liability of the municipal unit, but not debentures of other local units such as rural telephone companies, union hospital districts, etc. Sinking fund requirements have been deducted, as well as debentures assumed by purchasers of utilities.

† Does not include bank loans guaranteed by provincial government as these are shown under provincial government loans and guarantees.

‡ Seed grain loans account for the large increase between 1937 and 1938.

• Cancellations of relief debts account for the large decrease from 1946 to 1947.

Source: *Annual Reports*, Department of Municipal Affairs of the Province of Saskatchewan.

TABLE VII
LIABILITIES OF QUASI MUNICIPAL UNITS IN SASKATCHEWAN, 1933 TO 1948

Year	Schools*	Rural Telephone Companies	Union Hospitals†	Drainage Districts	Total
1933	\$ 16,628,112	\$ 6,322,185	\$ 248,274	\$ 481,653	\$ 23,680,144
1934	16,111,587	5,867,247	255,932	468,493	22,703,261
1935	16,370,697	5,460,981	256,728	455,039	22,483,335
1936	16,937,416	5,223,720	263,544	439,041	22,863,830
1937	16,602,832	5,280,312	278,193	366,065	22,527,402
1938	16,301,489	4,386,744	238,527	476,792	21,333,462
1939	15,546,054	5,275,118	262,546	332,916	21,416,634
1940	15,223,652	5,068,760	253,794	305,460	20,851,666
1941	14,123,804	4,330,097	211,208	292,515	18,977,624
1942	12,850,354	3,694,657	224,486	276,268	16,949,965
1943	10,988,095	2,491,909	207,573	252,305	13,942,882
1944	8,635,919	1,715,502	113,866	217,762	10,653,047
1945	6,635,448	1,594,603	109,084	186,370	8,437,575
1946	6,821,560	1,246,112	124,407	21,438	8,113,517
1947	6,426,746	1,206,856	651,698	107,940	8,395,270
1948	6,245,473	1,021,466	7,355,992	1,06,112	8,730,933

* School liabilities include net debenture debt of secondary schools issued by municipal units and charged to school districts.

† Net debenture debt only, amount of other debt not available.

Source: *Annual Reports*, Department of Municipal Affairs and other departments of the Government of Saskatchewan.

TABLE VIII

COMBINED LIABILITIES OF MUNICIPALITIES AND QUASI-MUNICIPAL UNITS IN SASKATCHEWAN, 1933-1948

(In thousands of dollars)

Year	Municipalities	Quasi-Municipal Units *	Total
1933	\$ 48,879	\$ 21,794	\$ 70,673
1934	51,726	20,903	72,629
1935	62,200	20,701	82,901
1936	64,956	21,171	86,127
1937	69,323	20,913	90,236
1938	85,779	19,788	105,567
1939	80,634	19,934	100,568
1940	74,819	19,420	94,239
1941	72,035	17,604	89,639
1942	69,269	15,635	84,904
1943	65,020	12,691	77,711
1944	60,559	9,655	70,214
1945	48,763	7,483	56,246
1946	41,048	7,441	48,489
1947	20,587	7,579	28,166
1948	21,326	7,477	28,803

* The net debenture debt of secondary schools is eliminated from this column, since it is included in column one (municipalities). Union hospital liabilities included in this total represents net debentures only since statistics are not available on these other liabilities.

per capita figure for this item in 1947 ranged from a high of \$3.64 for Saskatchewan to a low of 62 cents for Ontario with the other provinces as follows: Alberta, \$2.70; British Columbia, \$1.84; and Manitoba, \$1.48. Provincial government grants to municipalities, on the other hand, were low in Saskatchewan at \$1.13 compared with a high figure of \$6.44 for Ontario, \$4.30 for British Columbia and \$1.78 for Alberta. (Manitoba data were not available).

Education is the one large per capita expenditure which stands out in Table X for the municipalities of all provinces. The Saskatchewan figure of \$16.20 made up 87 per cent. of the total per capita municipal expenditure in the province in 1947. Alberta's per capita figure, while slightly higher at \$16.76, was also 37 per cent. of the per capita total in that province. Municipal expenditures on education in the other provinces were well below Saskatchewan and Alberta at \$12.12 in Manitoba, \$11.02 in Ontario and \$9.21 in British Columbia.

Other contrasts of importance in the municipal expenditure figures for 1947 concern two

interdependent items, debt charges and capital expenditure out of revenue. The per capita debt charges for Saskatchewan municipalities were the lowest among the provinces at \$2.10. At the other extreme were the municipalities of British Columbia with a figure of \$5.71. The Saskatchewan figure for capital expenditures out of revenue at \$4.74 per capita was greatly in excess of that of the other provinces. In fact, the Saskatchewan municipal total for capital expenditure out of revenue at \$3,860,000 was larger than that in any of the other provinces, including Ontario.

3. PROVINCIAL GRANTS TO LOCAL GOVERNMENT UNITS

Tables XI and XII show the distribution of provincial funds to local governments in various provinces for 1947-48 as related to specific services. Saskatchewan's grants for education, on a per capita basis, were substantially above those in Manitoba, were approximately the same as those in Alberta, and were below those in Ontario and British Columbia, particularly in the latter. Saskatchewan's per capita road grants were but a fraction of those in the other provinces. Saskatchewan's grants in aid of local health services, on a per capita basis, were small but those in other provinces were negligible or non-existent. In terms of social welfare grants, Saskatchewan was surpassed only by British Columbia. As for the total distribution of provincial funds to local governments on a per capita basis, Saskatchewan was above Manitoba, very close to Alberta, but substantially below Ontario and British Columbia.

The per capita method of analysis, used so frequently in this Report, provides a useful means of comparing many types of monetary aggregates. However, it has at least one weakness: it does not take account of differences in per capita incomes. To suggest that a ten dollar per capita expenditure on education, let us say, involves the same average burden on Alberta residents as a ten dollar per capita expenditure does on Saskatchewan residents would be a correct suggestion only if per capita incomes were the same in the two provinces. They are not, however. In fact, the average per capita annual income in Saskatchewan is the lowest of any of the five provinces used for comparative purposes in this Report. The relative differences, of course, vary from year to year.

Per capita income figures are, at best, only a statistical average and must be used with great caution. The Dominion Bureau of Statistics estimates the national income, that is, the total income of residents of Canada, by calendar years. This total is known as the Net

National Income at Factor Cost. The national income for 1947 was estimated at approximately \$10.9 billion. The provincial distribution of this sum, on a per capita basis, for the provinces included in this analysis, was as follows:

British Columbia	\$ 974
Alberta	847
Saskatchewan	766
Manitoba	810
Ontario	976

The above figures are used in Tables XII and XV in order to adjust the per capita figures of provincial grants and direct expenditures in the other provinces as a basis more nearly comparable with those for Saskatchewan.

These figures indicate that, in terms of average ability to pay, the residents of Saskatchewan are at a disadvantage as compared with the residents of the other provinces referred to in this section of the Report.

When the per capita figures for provincial grants to local governments which were given in Table XI are adjusted to take account of the differences in per capita incomes in the various provinces the higher figures in other provinces are reduced more nearly to the Saskatchewan level. This is particularly noticeable in regard to education (see Table XII) for which, on an adjusted basis, the Saskatchewan figure is above that of Ontario and Alberta as well as Manitoba and not far behind that of British Columbia. As for per capita road grants, the differences between the various provinces are so great that the adjustment does not narrow them appreciably.

4. DIRECT EXPENDITURES OF PROVINCIAL GOVERNMENTS FOR VARIOUS SERVICES ON A PER CAPITA BASIS

Tables XIII to XV provide a statistical analysis of the direct expenditures of the Saskatchewan and other provincial governments on a per capita basis with an analysis by main expenditure fields. Table XIII deals with Saskatchewan showing the main trends over the past generation. The central features of this Table are, perhaps, first, the pronounced increase over the years in the per capita expenditures of the provincial government on the various items grouped under public health and social welfare, and second, the relative importance of these items as compared with the per capita figures for other services in recent years. Other noteworthy facts suggested by the Table are the steady increase in per capita provincial debt service charges and the fluctuating but generally small per capita expenditures of the provincial government on highways. Per capita

education expenditures of the provincial government are indicated as being of modest proportions.

Table XIV presents an interprovincial comparison of per capita provincial expenditures on the various services for 1947-48. The most significant feature of the Table is the size of the Saskatchewan per capita figure for most of the items coming under health and welfare headings as compared with other provinces. In terms of the highways figure, Saskatchewan was above Manitoba in 1947-48 but was below Ontario and very substantially below Alberta and British Columbia. The natural resources heading illustrates the significant and well-known fact that the provinces of Ontario, Alberta and British Columbia derive considerable revenues from their natural resources. The picture has changed since 1947-48 but even in that year Alberta and British Columbia were deriving appreciable per capita revenues from this source. Saskatchewan's revenues from natural resources for the same year, while by no means negligible, were only a fraction of those of other provinces. As for Manitoba their natural resources department was still apparently a department with net expenditures rather than revenues.

Table XV recapitulates the per capita interprovincial comparison which was presented in Table XIV and indicates, in parallel columns, what the per capita expenditures for the various services would have been in the other provinces if they were reduced to correspond with Saskatchewan's per capita income figure. Where the per capita expenditure figures of other provinces were higher than in Saskatchewan the effect of the adjustment is to reduce the spread. This effect is noticeable, for example, in the highways item. Where, on the other hand, the per capita expenditures of the other provinces were actually lower than in Saskatchewan, the effect of the adjustment is to widen the spread. The latter effect is particularly pronounced in relation to health and welfare items.

5. PROVINCIAL-MUNICIPAL SHARING OF FINANCIAL RESPONSIBILITY FOR CERTAIN IMPORTANT SERVICES, 1947-48

A comparative analysis of the provincial and municipal expenditures on education has already been presented in Tables VIII to X of Part IV above. A similar type of analysis of highway expenditures appears in Table III of Part VI. Table XVI in this Part indicates the varying proportions in which the costs of health and welfare are shared by the provincial and municipal governments in the various provinces. (text continued on page 126)

TABLE IX
CURRENT REVENUES OF LOCAL AUTHORITIES BY PROVINCES FOR THE CALENDAR YEAR 1947

	British Columbia			Alberta			Saskatchewan			Manitoba			Ontario		
	Total Amount	Per Capita	Total Amount	Total Amount	Per Capita	Total Amount	Total Amount	Per Capita	Total Amount	Per Capita	Total Amount	Per Capita	Total Amount	Per Capita	Total Amount
TAXATION	(\$'000)	\$	(\$'000)	(\$'000)	\$	(\$'000)	(\$'000)	\$	(\$'000)	\$	(\$'000)	\$	(\$'000)	\$	\$
Cities *	18,770	33.76	10,295	5,976	34.74	5,976	5,976	34.74	11,399	40.18	30,239	40.22	80,239	40.22	80,239
Towns	795	19.09	2,121	2,191	36.04	2,191	2,191	29.51	—	—	14,465	26.46	14,465	26.46	14,465
Villages	199	5.53	1,250	1,995	32.55	1,995	1,995	23.99	—	—	3,972	21.42	3,972	21.42	3,972
Towns, Villages, and Suburban Municipalities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Rural Municipalities *	5,938	23.99	12,379	15,639	33.45	15,639	15,639	33.45	3,016	24.23	26,164	18.34	26,164	18.34	26,164
Local Improvement Districts *	—	—	2,876	673	15.40	673	673	17.97	8,104	27.93	20,600	20.60	20,600	20.60	20,600
Countries	—	—	—	—	—	—	—	—	—	—	10,335	5.31	10,335	5.31	10,335
Total All Units	25,202	29.10	29,121	36,474	36.53	36,474	36,474	31.13	22,579	32.55	135,433	32.33	135,433	32.33	135,433
PER CAPITA AVERAGE ALL UNITS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
LOWEST EARNINGS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cities	406	75	184	392	70	392	392	1.70	68	24	225	14	225	14	225
Towns	—	—	48	54	78	54	54	12	—	—	140	34	140	34	140
Villages	—	—	25	46	61	46	46	56	—	—	35	19	35	19	35
Towns, Villages, and Suburban Municipalities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Rural Municipalities	—	—	350	520	1.09	520	520	1.11	67	23	313	22	313	22	313
Local Improvement Districts	—	—	26	21	23	21	21	57	—	—	1	14	1	14	1
Countries	—	—	—	—	—	—	—	—	—	—	26	61	26	61	26
Total All Units	406	47	633	933	79	933	933	1.12	136	19	790	19	790	19	790
PER CAPITA AVERAGE ALL UNITS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
LOWEST AND FINEST	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cities	1,657	3.06	324	423	1.24	423	423	2.46	335	1.18	1,037	33	1,037	33	1,037
Towns	103	2.40	21	63	34	63	63	.85	—	—	256	43	256	43	256
Villages	70	1.96	6	26	14	26	26	31	—	—	37	31	37	31	37
Towns, Villages, and Suburban Municipalities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Rural Municipalities	328	1.33	—	7	—	7	7	.02	—	—	395	37	395	37	395
Local Improvement Districts	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Countries	—	—	—	—	—	—	—	—	—	—	18	16	18	16	18
Total All Units	2,158	2.49	331	519	44	519	519	62	335	48	1,770	41	1,770	41	1,770
PER CAPITA AVERAGE ALL UNITS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

TABLE IX—Continued

CURRENT REVENUES OF LOCAL AUTHORITIES BY PROVINCES FOR THE CALENDAR YEAR 1947.

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario	
	Total Amount (\$'000)	Per Capita \$	Total Amount (\$'000)	Per Capita \$	Total Amount (\$'000)	Per Capita \$	Total Amount (\$'000)	Per Capita \$	Total Amount (\$'000)	Per Capita \$
SERVICE CHARGES										
Cities.....	258	.48	212	.81	154	.89	.....	.....	.....	.....
Towns.....	.....	.....	29	.47	83	1.12	.....	.....	.....	.....
Villages.....	.....	.....	4	.10	20	.24	This category not shown		.....	.....
Towns, Villages and Suburban Municipalities.....	.....	.....	.....	.....	.....	.....			.....	.....
Rural Municipalities.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Local Improvement Districts.....	.....	.....	9	.02	189	.40	.....	.....	.....	.....
Counties.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total All Units.....	255	.30	254	.32	446	.33	.....	.....	222	.05
Per Capita Average All Units.....										
GOVERNMENT GRANTS										
Cities.....	2,390	4.42	64	.25	181	1.05	.....	.....	4,615	3.35
Towns.....	228	3.47	26	.41	70	.94	.....	.....	1,115	1.93
Villages.....	46	1.29	3	.07	28	.33	This category not shown		363	1.98
Towns, Villages and Suburban Municipalities.....	.....	.....	.....	.....	.....	.....			.....	.....
Rural Municipalities.....	1,664	4.30	1,281	4.00	666	1.43	.....	.....	8,249	5.75
Local Improvement Districts.....	.....	.....	45	.60	.....	.....	.....	.....	60	6.71
Counties.....	.....	.....	.....	.....	.....	.....	.....	.....	6,367	3.39
Total All Units.....	3,728	4.30	1,419	1.78	945	1.18	.....	.....	22,799	5.44
Per Capita Average All Units.....										
SUBSIDIES FROM UTILITIES										
Cities.....	1,330	2.49	2,065	7.91	2,946	17.12	1,034	3.04	2,064	1.05
Towns.....	189	4.34	87	1.41	91	1.23	.....	.....	34	.34
Villages.....	26	.72	2	.05	12	.15	.....	.....	22	.12
Towns, Villages and Suburban Municipalities.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Rural Municipalities.....	27	.11	.....	.....	.....	.....	.....	.....	300	.21
Local Improvement Districts.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Counties.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total All Units.....	1,592	1.84	2,154	2.70	3,049	3.61	1,034	1.43	2,588	.62
Per Capita Average All Units.....										

MISCELLANEOUS										
Cities	1,209	2.42	195	75	55	32	691	2.46	5,880	2.98
Towns	156	3.76	31	1.73	54	72	---	---	948	1.68
Villages	121	3.40	30	73	61	73	---	---	277	1.51
Towns, Villages and Suburban Municipalities	---	---	---	---	---	---	---	---	---	---
Rural Municipalities	1,254	5.07	237	74	254	54	590	4.84	1,413	98
Local Improvement Districts	---	---	69	61	12	32	356	1.22	14	1.58
Countryside	---	---	---	---	---	---	---	---	216	.11
Total, All Units	2,840	3.28	612	.77	436	.82	1,637	2.35	8,748	2.09
TOTAL REVENUES										
Cities	26,415	45.81	11,891	53.24	10,473	60.87	13,710	48.33	96,160	48.77
Towns	1,502	35.03	2,566	41.95	2,785	37.23	---	---	17,156	29.01
Villages	462	22.96	1,449	34.96	2,376	27.38	---	---	4,676	25.94
Towns, Villages and Suburban Municipalities	---	---	---	---	---	---	---	---	---	---
Rural Municipalities	8,694	35.12	14,969	64.56	17,436	37.29	3,606	29.57	36,834	26.68
Local Improvement Districts	---	---	3,231	28.62	786	18.67	8,587	29.37	36,349	36.30
Countryside	---	---	---	---	---	---	---	---	17,226	9.21
Total, All Units	\$ 37,073	\$ 44.09	\$ 35,426	\$ 44.44	\$ 33,656	\$ 40.33	\$ 25,903	\$ 37.11	\$ 172,442	\$ 41.16

¹ In British Columbia only cities with a population greater than 5,000 have been included in this category; cities under 5,000 population being classified as towns.

² Does not include school levies and is therefore not comparable with other provinces.

³ Towns, Village and Suburban Municipalities in Manitoba.

⁴ Refers to Rural Municipalities in Saskatchewan and Manitoba, to Municipal Districts in Alberta, to Townships in Ontario and to Districts in British Columbia.

⁵ Refers to Local Improvement Districts in Saskatchewan, to Improvement Districts in Ontario, and to Improvement Districts and Special Areas in Alberta.

⁶ An approximate figure for provincial grants for Municipal Social Assistance has been added for Vancouver. See also footnote ⁴, Table X.

⁷ Based upon population figure of 839,347 and total revenue of \$36,611,120. This includes population and revenue of villages and Improvement Districts, since complete statistics for these units are not available.

Sources: Annual Reports, Departments of Municipal Affairs for the respective provinces.

TABLE X

CURRENT EXPENDITURES OF LOCAL AUTHORITIES BY PROVINCES FOR THE CALENDAR YEAR 1947

	British Columbia			Alberta			Saskatchewan			Manitoba			Ontario		
	Total Amount	Per Capita		Total Amount	Per Capita		Total Amount	Per Capita		Total Amount	Per Capita		Total Amount	Per Capita	
	(\$'000)	\$	(\$'000)	(\$'000)	\$	(\$'000)	(\$'000)	\$	(\$'000)	(\$'000)	\$	(\$'000)	(\$'000)	\$	\$
GENERAL GOVERNMENT															
Cities 1	2,056	3.80	1,080	4.14	1,122	6.82	1,107	3.90	8,523	4.32	8,523	4.32	8,523	4.32	8,523
Towns	206	4.80	256	4.16	379	3.79	253	3.04	1,169	3.07	1,169	3.07	2,169	3.07	2,169
Villages	83	2.34	138	3.08	253	3.04	253	3.04	588	3.21	588	3.21	588	3.21	588
Towns, Villages and Suburban Municipalities 2															
Rural Municipalities 3	779	3.15	808	2.52	1,032	3.40	859	3.05	3,098	2.14	3,098	2.14	3,098	2.14	3,098
Local Improvement Districts 4		-	325	3.88	104	2.73		2.73	41	4.00	41	4.00	41	4.00	41
Counties		-													
Total All Units	3,118	3.60	2,597	3.26	3,490	4.18	2,447	3.31	15,560	3.71	15,560	3.71	15,560	3.71	15,560
PER CAPITA AVERAGE ALL UNITS															
PROTECTION OF PERSONS AND PROPERTY															
Cities	5,072	9.37	2,151	8.25	1,463	8.50	2,750	9.60	17,003	8.67	17,003	8.67	17,003	8.67	17,003
Towns	174	4.19	240	3.89	277	3.74			2,373	4.35	2,373	4.35	2,373	4.35	2,373
Villages	24	6.7	111	2.68	162	1.95			680	3.71	680	3.71	680	3.71	680
Towns, Villages and Suburban Municipalities 2															
Rural Municipalities 3	716	2.80	158	.69	214	.46	150	.51	1,838	1.29	1,838	1.29	1,838	1.29	1,838
Local Improvement Districts					5	14			34	3.77	34	3.77	34	3.77	34
Counties									1,636	8.96	1,636	8.96	1,636	8.96	1,636
Total All Units	5,986	6.91	2,659	3.34	2,121	2.54	3,313	4.75	23,858	5.09	23,858	5.09	23,858	5.09	23,858
PER CAPITA AVERAGE ALL UNITS															
MAINTENANCE OF PUBLIC WORKS															
Cities	2,400	4.80	947	3.63	569	3.31	1,331	4.69	5,864	2.97	5,864	2.97	5,864	2.97	5,864
Towns	293	7.03	333	5.01	232	2.79			2,310	4.34	2,310	4.34	2,310	4.34	2,310
Villages	113	3.19	185	4.66	243	2.93			704	4.17	704	4.17	704	4.17	704
Towns, Villages and Suburban Municipalities 2															
Rural Municipalities 3	1,894	7.65	4,326	13.51	4,790	10.24	749	6.18	12,577	8.77	12,577	8.77	12,577	8.77	12,577
Local Improvement Districts			975	8.63	78	2.68			3,245	7.55	3,245	7.55	3,245	7.55	3,245
Counties															
Total All Units	4,908	5.66	6,766	8.49	5,932	7.14	5,278	7.63	38,106	7.19	38,106	7.19	38,106	7.19	38,106
PER CAPITA AVERAGE ALL UNITS															

HEALTH AND SANITATION

Cities	1,472	2 72	1,023	3 92	768	4 56	1,257	4 43	11,354	6 77
Towns	45	1 03	120	1 45	168	2 38			1,158	1 89
Villages	21	59	30	73	63	70			1,199	1 09
Towns, Villages and Suburban Municipalities										
Rural Municipalities	246	99	60	10	85	18			1,309	91
Local Improvement Districts					4	50			21	2 35
Counties									319	17
Total All Units										
Per Capita Average All Units	4,784	2 06	1,233	1 55	1,889	1 30	1,257	1 80	16,820	3 89
PUBLIC WASTEWATER										
Cities	3,151	5 82	890	3 41	752	4 37	1,407	4 96	7,677	3 89
Towns	175	4 58	200	2 74	274	3 80			726	1 23
Villages	16	45	37	210	240	2 96			84	45
Towns, Villages and Suburban Municipalities										
Rural Municipalities	968	3 91	1,200	3 81	2,134	4 54	320	2 62	1,097	76
Local Improvement Districts			428	3 79	78	2 69	481	1 64	9	1 00
Counties									3,022	1 81
Total, All Units	4,310	4 98	2,826	3 54	3,484	4 18	2,208	3 16	12,615	3 81
RECREATION AND COMMUNITY SERVICES										
Cities	1,068	1 97	734	2 81	407	2 80	511	1 80	5,259	2 67
Towns	35	85	77	1 25	134	1 81			669	1 15
Villages	3	08	49	1 48	144	1 73			159	87
Towns, Villages and Suburban Municipalities										
Rural Municipalities	25	51	9	03	55	12			414	29
Local Improvement Districts										
Counties										925
Total, All Units	1,331	1 42	869	1 09	830	1 80	511	73	6,501	1 55
DEBT CHARGES										
Cities	4,221	7 80	1,940	7 59	1,161	6 75	3,182	4 17	9,440	4 79
Towns	114	2 75	136	3 04	131	1 76			1,941	3 38
Villages			74	1 77	36	43			664	3 39
Towns, Villages and Suburban Municipalities										
Rural Municipalities	611	2 47	641	2 00	422	50	328	2 69	2,808	1 96
Local Improvement Districts			10	.09	-----	-----	407	1 39	2	118
Counties					-----	-----			575	31
Total All Units	4,946	5 71	2,803	3 65	1,759	2 10	1,917	2 72	15,579	3 67

TABLE X—Continued
CURRENT EXPENDITURES OF LOCAL AUTHORITIES BY PROVINCES FOR THE CALENDAR YEAR 1947.

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario	
	Total Amount (\$'000)	Per Capita \$	Total Amount (\$'000)	Per Capita \$	Total Amount (\$'000)	Per Capita \$	Total Amount (\$'000)	Per Capita \$	Total Amount (\$'000)	Per Capita \$
CAPITAL EXPENDITURES OUT OF REVENUE										
Cities.....	649	1.18	73	.28	1,155	6.71	2,072	1.05	2,072	1.05
Towns.....	137	3.30	240	2.89	189	3.18	345	.65	345	.65
Villages.....	97	2.72	83	2.00	297	3.37	117	.69	117	.69
Towns, Villages and Suburban Municipalities.....	—	—	—	—	—	—	This category not shown	—	—	—
Rural Municipalities.....	471	1.90	1,781	5.56	2,318	4.74	606	.42	606	.42
Local Improvement Districts.....	—	—	—	—	31	.82	13	.13	13	.13
Counties.....	—	—	—	—	—	—	596	.27	596	.27
Total: All Units.....	1,345	1.55	2,177	2.73	3,960	4.74	3,709	.88	3,709	.88
PER CAPITA AVERAGE: ALL UNITS										
EDUCATION										
Cities.....	5,595	10.34	4,688	17.97	3,227	18.76	4,403	15.52	26,242	13.31
Towns.....	286	6.87	950	15.42	968	13.04	—	—	5,072	8.57
Villages.....	—	—	683	16.46	197	11.99	—	—	1,536	8.40
Towns, Villages and Suburban Municipalities.....	—	—	—	—	—	—	—	—	—	—
Rural Municipalities.....	2,694	8.46	5,697	17.51	7,954	17.01	1,897	8.98	11,823	8.34
Local Improvement Districts.....	—	—	1,435	12.73	368	9.82	2,867	10.15	110	12.35
Counties.....	—	—	—	—	—	—	—	—	1,370	7.5
Total: All Units.....	7,975	9.21	13,864	16.76	13,516	16.20	8,461	12.12	46,155	11.02
PER CAPITA AVERAGE: ALL UNITS										
MISCELLANEOUS										
Cities.....	463	.91	458	1.75	—	—	543*	1.92	1,339	.68
Towns.....	126	1.87	79	1.28	—	—	—	—	523	.54
Villages.....	55	1.54	—	—	—	—	—	—	64	.34
Towns, Villages and Suburban Municipalities.....	—	—	—	—	—	—	This category not shown	—	—	—
Rural Municipalities.....	774	3.13	10	.03	—	—	641*	5.26	1,467	1.16
Local Improvement Districts.....	—	—	45	.40	—	—	1,336* ¹⁰	4.56	21	2.36
Counties.....	—	—	—	—	—	—	—	—	548	.29
Total: All Units.....	1,400	1.62	602	.75	—	—	2,521	3.61	3,960	.94
PER CAPITA AVERAGE: ALL UNITS										

TABLE X—Continued

CURRENT EXPENDITURES OF LOCAL AUTHORITIES BY PROVINCES FOR THE CALENDAR YEAR 1947

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario	
	Total Amount	Per Capita	Total Amount	Per Capita	Total Amount	Per Capita	Total Amount	Per Capita	Total Amount	Per Capita
Total Expenditures										
Cities	26,168	48.73	14,024	53.76	10,714	62.28	14,493	51.09	96,872	40.13
Towns	1,537	36.91	2,684	43.55	2,673	38.71			17,486	39.57
Villages	412	11.53 ¹	1,430	34.48	2,441	59.35			4,305	26.24
Townships										
Rural Municipalities	8,678	35.05	14,620	45.55	19,594	41.72	4,023	33.90	37,228	25.95
Local Improvement Districts			3,279	28.62	668	17.83	9,448	32.32	318	35.67
Counties									17,454	9.31
Total: All Units	\$ 36,995	\$44.06 ¹	\$ 35,987	\$ 45.14	\$ 36,200	\$ 43.38	\$ 27,964	\$ 40.07	\$ 174,163	\$ 41.57
Per Capita Average All Units										

¹ In British Columbia only cities with a population greater than 5,000 have been included in this category, cities under 5,000 population being classified as towns.

² Towns, Villages and Suburban Municipalities in Manitoba.

³ Refers to Rural Municipalities in Saskatchewan and Manitoba, Municipal Districts in Alberta, Townships in Ontario and Districts in British Columbia.

⁴ Refers to Local Improvement Districts in Saskatchewan, to Improvement Districts in Ontario, and to Improvement Districts and Special Areas in Alberta.

⁵ Expenditure of provincial funds on Municipal Social Assistance has been included for Vancouver to bring the figures for that city into line with those of other British Columbia municipalities and municipalities in other provinces. Vancouver reported only its net expenditures. The approximate provincial grant has been calculated on the basis of an 80-20 sharing, which gives a figure of \$435,400. This seems reasonably accurate as the British Columbia Public Account for the fiscal year 1947-48 shows grants to Vancouver equal to \$485,607.

⁶ The expenditure in this category was \$223.00.

⁷ Villages are included in Rural School Districts and do not make any levy for Education. The education levy for all rural school districts (most of them in unorganised areas) in 1947 was \$0.009/932 (Public Accounts of British Columbia, 1947-48, pp. EE 84).

⁸ Includes Municipal Commissioner's Levy of \$326,314.

⁹ Includes Municipal Commissioner's Levy of \$96,413.

¹⁰ Includes Municipal Commissioner's Levy of \$452,465.

¹¹ This total for villages does not include educational expenditure and is therefore not comparable with those of other provinces.

¹² Per capita figures based on population figure of 339,347 and total expenditure of \$46,887,287. This excludes expenditures of villages and improvement districts, since complete estimates for these units are not available.

Sources: Annual Reports of the Departments of Municipal Affairs for the respective provinces.

TABLE

DISTRIBUTION OF PROVINCIAL FUNDS TO LOCAL GOVERNMENTS, TOTAL.

	British Columbia			Alberta		
	Total Amount	Per Capita	Per Capita	Total Amount	Per Capita	Per Capita
	(\$'000)	(Municipal Population) \$	(Provincial Population) \$	(\$'000)	(Municipal Population) \$	(Provincial Population) \$
GENERAL ASSISTANCE¹						
Cities				61	34	
Towns						
Villages						
Rural Municipalities ²						
Improvement Districts						
Sundry Municipalities				111		
Total All Units				172		
Per Capita Average All Units						20
EDUCATION						
All School Boards	8,553			5,259		
Total All Units	8,553		8 19	5,259		6 40
Per Capita Average All Units						
ROAD GRANTS						
Cities						
Towns						
Villages						
Rural Municipalities				1,034	3 23	
Sundry Municipalities ³	1,587 ⁴					
Total All Units	1,587		1 53	1,034		1 26
Per Capita Average All Units						
AID TO LOCAL HEALTH SERVICES						
(1) Preventive ⁵						
Sundry Municipalities				66		
(2) Curative						
Sundry Municipalities						
Total All Units				66		
Per Capita Average All Units						08
SOCIAL WELFARE						
Cities						
Towns						
Villages						
Rural Municipalities						
Improvement Districts						
Sundry Municipalities	1,556			66		
Total All Units	1,556		1 49	66		08
Per Capita Average All Units						
Total Financial Assistance to Local Governments	\$ 11,996		\$ 11 39	\$ 6,397		\$ 8 02
Per Capita Average All Units						

¹ "General Assistance" includes the following: Alberta, grants for detention homes, for collections made by local authorities under the Mineral Taxation Act, grants to cities in lieu of the Social Service Tax, and liquor fines paid over to the municipalities, Saskatchewan, commission (5 per cent.) on collection of the Public Revenues Tax, Ontario, a municipal subsidy equal to one mill on the local assessment.

² "Townships" in Ontario.

³ This figure is made up of: (i) City School Districts, \$476,000, (ii) All other Districts, \$4,845,000.

⁴ Includes road grants to village and suburban municipalities.

⁵ Includes road grants to suburban municipalities.

⁶ "Counties" in Ontario.

⁷ Apportioned among all municipalities according to population. Population figures for British Columbia municipalities for 1947 were not available.

AND PER CAPITA, FOR SPECIFIC PURPOSES BY PROVINCES, 1947-48.

Saskatchewan			Manitoba			Ontario		
Total Amount	Per Capita	Per Capita	Total Amount	Per Capita	Per Capita	Total Amount	Per Capita	Per Capita
(\$'000)	(Municipal Population)	(Provincial Population)	(\$'000)	(Municipal Population)	(Provincial Population)	(\$'000)	(Municipal Population)	(Provincial Population)
11	.06					1,916	.97	
4	.05					354	.60	
5	.06					97	.33	
70	.15					1,049	.73	
						13	1.41	
90		11				3,429		82
5,321*			3,613			29,612		
5,321		6.31	3,613		4.86	29,612		7.07
			23	.39		1,967*	.98	
			7*	.10		529	.98	
420	.99		893	3.02		195	1.06	
						7,667	4.93	
						5,065	2.70	
420		50	913		1.23	14,823		3.54
						393		
211						393		.09
211		25						
200	1.16					1,132	.58	
61	.83					171	.29	
27	.33					23	.13	
238	.51					277	.19	
						180	20.28	
526		.62				1,803		.43
\$ 6,668		\$ 7.79	\$ 4,526		\$ 6.09	\$ 50,060		\$ 11.95

* Only in Alberta and Ontario does assistance for local health services (preventive) take the form of grants. In the other provinces Health Units are operated by the Provincial Government with a portion of the costs charged to the municipalities. Expenditures of these provinces for such services are included in the statement of direct expenditures under "Health Services General". The net cost to these provinces is as follows: British Columbia \$166,187, Saskatchewan, \$281,673, Manitoba, \$197,624 with per capita cost of 16, 33 and 27 cents respectively.

Note: Re British Columbia a grant to the municipalities of \$2,680,000 during 1947 is not shown above because it was not an ordinary operating grant but a once-for-all debt settlement comparable to the cancellation of relief and seed grain loans in Saskatchewan and Manitoba in 1948. It was distributed according to the proportion that each municipality's expenditures on direct relief from 1930 to 1946 bore to the total expenditure of all municipalities for this purpose during this period. It was to be applied in the following order for the following specific purposes: (i) repayment of loans made by the province to the municipality for relief purposes; (ii) repayment of other debts incurred by the municipality for relief purposes; (iii) any remainder to be (a) paid to the municipality's sinking fund where shortages existed, (b) spent on the capital projects of the municipality.

Source: Public Accounts of the respective provinces.

TABLE III

PER CAPITA DISTRIBUTION OF PROVINCIAL FUNDS TO LOCAL GOVERNMENTS IN VARIOUS PROVINCES, ACTUAL AND ADJUSTED TO SASKATCHEWAN AS A BASE FOR VARIATIONS IN PER CAPITA INCOME*, 1947-48

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario	
	Actual Per Capita	Adjusted Per Capita	Actual Per Capita	Adjusted Per Capita	Actual Per Capita	Adjusted Per Capita	Actual Per Capita	Adjusted Per Capita	Actual Per Capita	Adjusted Per Capita
	(Provincial population 1,064,000)	(Provincial per capita income, \$974)	(Provincial population 822,000)	(Provincial per capita income, \$847)	(Provincial population 942,000)	(Provincial per capita income, \$765)	(Provincial population 743,000)	(Provincial per capita income, \$810)	(Provincial population 4,149,000)	(Provincial per capita income, \$776)
GENERAL ASSISTANCE										
EDUCATION -	8.19	6.44	6.40	5.79	6.31		4.86	4.60	7.07	5.55
ROAD GRANTS	1.52	1.20	1.26	1.14	.80		1.23	1.16	3.54	2.76
AID TO LOCAL HEALTH SERVICES										
Preventive.....			.05	.07					.09	.07
Curative.....					.25					
SOCIAL WELFARE	1.49	1.17	.03	.07	.62				.43	.34
Total Average Per Capita All Above Services	\$ 11.20	\$ 8.81	\$ 8.02	\$ 7.25	\$ 7.79	\$ 6.09	\$ 6.09	\$ 5.76	\$ 11.95	\$ 9.38

* The figures shown under "adjusted per capita" for each of British Columbia, Alberta, Manitoba and Ontario are arrived at by taking the actual per capita expenditures of the province multiplied by the per capita income of Saskatchewan divided by the per capita income of the province in question. The per capita income shown above were derived by dividing the provincial income for the year 1947 by the provincial population for that year. The income figures used include (i) salaries and wages and supplementary labour income (excluding military pay and allowances), (ii) net income of agriculture and other unincorporated business, (iii) interest, dividends and net rental income, (iv) government transfer payments, excluding interest.

Source. Basic data from *National Accounts Income and Expenditures 1947-48*, (Ottawa, Dominion Bureau of Statistics, 1949).

TABLE XII

PER CAPITA DIRECT EXPENDITURES OF THE GOVERNMENT OF SASKATCHEWAN (NET COST)
FOR SELECTED FISCAL YEARS, 1920-21 TO 1947-48.*

	1920-21	1925-26	1930-31	1935-36	1940-41	1945-46	1947-48
General Government	\$ 1.09	\$.96	\$ 1.01	\$.85	\$ 1.59	\$ 2.39	\$ 2.43
Construction of Administrative Buildings	.42	.04	.45	.16	.17	..	.51
Legal and Judicial Administration							
General	1.02	.78	.81	.72	.81	.75	.95
Land Titles	.. 56	.. 29	.. 16	.. 03	.02	.. 34	.. 13
Construction of Court Houses and Land Titles Offices	.35						
Public Debt	1.63	2.58	2.56	4.52	4.85	5.06	8.11
Highways	1.65	2.06	10.72	1.37	1.80	4.48	10.18
Education							
General	.72	.67	.80	.43	.50	1.30	1.29
Capital Construction	.32		.33				
University of Saskatchewan							
Operation Grants	.70	.74	.73	.46	.59	.69	.81
Construction Grants	.49	.36	.21	.. ..	.06	.10	.92
Agriculture	.42	.44	.37	.26	.31	.52	.98
Municipal Affairs	.11	.11	.13	.09	.39	.32	.40
Public Health							
General	.35	.24	.38	.21	.25	.92	1.78
Hospital Grants	.14	.15	.19	.21	.27	.37	4.71
Sanatoria	.16	.19	.31	.30	.32	.34	.35
Operation		.14	.04	.05		.. 01/3	.07
Construction	.53	.60	.87	.84	1.31	2.41	3.65
Mental Hospitals	1.78	.02	.08	.. ..	.32	.25	.40
Medical and Hospital Services for Old Age Pensioners and Destitutes	.03	.03	.03	.20	.44	.92	.91
Natural Resources	.. 01	.. 03	.. 003	.. 26	.. 34	.. 1.21	.. 67
Social Welfare							
General	.24	.12	.19	.12	.21	.63	1.52
Mothers' Allowances	.14	.37	.57	.51	.54	1.03	1.22
Old Age and Blind Pensions			.97	.69	.94	2.08	1.95
Social Aid			.19	1.65	1.56	.35	.50
Labour	.05	.04	.08	.01	.. 002	.02	.05
Co-operation	.01	.02	.02	.008	.03	.08	.26
Reconstruction						.08	.43
Insurance	.. 07	.. 09	.. 07	.. 09	.. 08	.. 13	.. 14
Telephones							
Administration and Inspection	.05	.02	.. ..	.. ..	.. ..	.. ..	.. ..
Farm Loans							
Advances for Administration and Interest on Securities	.11	.. 24	.44	.23	.57	.48	.48
Advances for Loans (Capital Account)	3.96	.47	2.93	.61	.11	.12	.03
Livestock Purchase and Sale Act Loans	.18	.05	.22	.. ..	.. ..	.. ..	.. ..
Power							
Administration of Electrical Licensing Act			.02	.01	.005	.001	.. ..
Administration Advances			.05	.02		.02	.. ..
Advances (Capital Account)			3.47	.04	.19	2.48	2.85
Agricultural Re-establishment	.23		.54	8.37	.67	.12	.16

TABLE XIII—Continued

PER CAPITA DIRECT EXPENDITURES OF THE GOVERNMENT OF SASKATCHEWAN (NET COST)
FOR SELECTED FISCAL YEARS, 1920-21 TO 1947-48 *

	1920-21	1925-26	1930-31	1935-36	1940-41	1945-46	1947-48
Advances to Crown Corporations, Companies, Boards	\$	\$	\$	\$	\$	\$	\$
Saskatchewan Government Telephones (Capital) —	2 64	15	87				
Saskatchewan Cooperative Elevators (Capital) —	15						
Saskatchewan Cooperative Creamery Association Limited (Capital)	29		23				
Natural Resources Crown Corporations Revenue Account						69	
Capital Account	.09†					.60	.19
Saskatchewan Reconstruction Corporation Capital Account						.48	1.36
Saskatchewan Transportation Company Capital Account						90	26
Other Crown Corporations							1 96
Other Direct Expenditure							
Relief Debt Charges, Seed Grain Guarantees, Advances, Adjustments		12	62	1 74	3 30	3 49	2 06

* Based on census figures and Dominion Bureau of Statistics population estimates as follows: 1920-21, 757,516; 1925-26, 820,738; 1930-31, 921,785; 1935-36, 931,547; 1940-41, 895,992; 1945-46, 832,683; 1947-48, 842,600.

† Includes construction loans.

‡ Grant to Saskatchewan Lignite Utilization Board.

Note: Figures in italics denote excess revenues over expenditures.

Source: Public Accounts, Province of Saskatchewan.

(a) Education

Attention might be directed in Table VIII of Part IV, particularly to the per capita figures and to figures indicating total education expenditures as a percentage of total net provincial expenditures. The 1947-48 per capita expenditures of the Saskatchewan provincial government on education at \$8.41 were considerably above the comparable figure for Manitoba (\$6.65) but appreciably below those for Alberta (\$9.18) and Ontario (\$9.68) and very substantially below that for British Columbia (\$11.87). In terms of the proportion of education expenditures to total provincial expenditures, however, Saskatchewan and British Columbia were equal at 16 per cent. and were measurably surpassed by Alberta and Manitoba at 19 per cent. and by Ontario at 22 per cent.

Table X of Part IV contrasts the provincial-municipal allocations of education expenditures in the various provinces for 1947-48. A striking feature is the similarity of such expenditures in the prairie provinces. Ignoring trifling differences it would be fair to say that in that fiscal year the provincial government bore 35 per cent. while the municipalities bore 65 per cent. of education costs in each of the prairie provinces. In British Columbia and Ontario,

on the other hand, the division was not far from 50-50, with the province bearing slightly more than half in British Columbia and somewhat less than half in Ontario.

The bottom row of figures across Table X in Part IV is of interest since it shows the proportion of the combined expenditures of the provincial and municipal governments in each province devoted to education in 1947-48. This was 18.6 per cent. for British Columbia, 25 per cent. for Manitoba, 25.6 per cent. for Ontario, 26 per cent. for Saskatchewan and 28.4 per cent. for Alberta.

(b) Health and Welfare

Table III in Part V shows the striking comparison of Saskatchewan's provincial expenditures on health and welfare with those of other provinces as of 1947-48. The Saskatchewan figure of \$17 per capita compares with \$6 in Manitoba, \$7.40 in Ontario, \$10 in Alberta and \$15.80 in British Columbia. As a proportion of total provincial expenditures, health and welfare took 32.8 per cent. in Saskatchewan, 16.6 per cent. in Ontario, 17.5 per cent. in Manitoba, 21.1 per cent. in Alberta and 22.3 per cent. in British Columbia.

Table XVI indicates the provincial-municipal sharing of health and welfare costs in

the various provinces in 1947-48. In this comparison the Province of Saskatchewan stands out as absorbing the highest provincial share of the combined provincial-municipal expenditure on health and welfare. Of the combined total the Saskatchewan government provided 82 per cent., British Columbia 79 per cent., Alberta 73 per cent., Manitoba and Ontario approximately 64 per cent. The same Table indicates the proportions of combined provincial-municipal expenditures which went to health and welfare in 1947-48 in the various provinces. The Saskatchewan figure of 22 per cent. compares with 19 per cent. in British Columbia, 15 per cent. in Alberta, 14 per cent. in Ontario and 13 per cent. in Manitoba.

(c) Highways and Roads

Table III in Part VI shows the provincial government in Saskatchewan as well down in the scale in all the indices of financial contribution to road finance in 1947-48. Per capita grants of 50 cents were only a fraction of those in other provinces, direct provincial expenditures of \$10.18 per capita were lower than in any other province except Manitoba, total per capita expenditures of the province on roads, at \$10.68 were also below all provinces except Manitoba. As for the proportion of provincial expenditures devoted to roads in 1947-48, the Saskatchewan percentage of 20.5 was the lowest of the five provinces. The other percentages were 29 in Manitoba, 31 in British Columbia, and 33 in Alberta and Ontario.

It was not possible to secure data which would indicate the degree of provincial-municipal sharing of the highway burden in the various provinces in the same way as was done above for education, health and welfare.

6. PROVINCIAL-MUNICIPAL SHARING OF FINANCIAL RESPONSIBILITY FOR IMPORTANT SERVICES, 1950

A brief comparative description of the division of responsibility as between provincial and municipal levels of government for certain important governmental services in 1950 in the five provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario will now be undertaken. The comparisons are as nearly accurate as it has been possible to make them.

(a) Welfare Services

(i) Old Age and Blind Pensions

In none of the provinces compared are the municipalities called upon to bear any part of the basic or supplementary pensions payable. Each of the provinces bears administrative

costs and one quarter of the basic pension of \$40 per month, Ontario and Manitoba pay no supplementary amounts. British Columbia and Alberta each pays a supplementary monthly amount of \$10 without a means test. Saskatchewan pays a \$2.50 supplement conditional on a means test.

(ii) Mothers' Allowances

All of the five provinces except Alberta pay 100 per cent. of the basic allowance. In Alberta the municipalities are responsible for 20 per cent. and the province for 80 per cent. of the basic allowance, but the province also pays a supplementary allowance.

(iii) Social Aid

The provincial governments in all the five provinces bear 100 per cent. of the costs of social aid for persons without municipal residence. In Saskatchewan and Ontario the provincial government pays 50 per cent. of other social aid costs leaving the balance to the municipalities. In Alberta the province pays 60 per cent. and the municipalities 40 per cent. In British Columbia the division is 80 per cent. for the province and 20 per cent. for the local units. The Manitoba provincial government distributes an annual sum of \$300,000 among the municipalities in proportion to their expenditures on social aid, neglected children and medical care for indigents.

(iv) Care of Neglected Children

The provincial governments in all the provinces compared bear 100 per cent. of the costs of care of neglected children without municipal residence.

The provincial governments in Alberta and Saskatchewan pay all costs for neglected children born out of wedlock. For neglected children born in wedlock the Alberta provincial government bears 80 per cent. of the cost and the municipalities 40 per cent. In Saskatchewan the municipalities are charged \$3.50 per week for the care of such children up to a maximum of one mill on the local assessment. The Saskatchewan provincial government assumes full financial responsibility for all neglected children over 16 years of age. (In 1947-48 the province bore 80 per cent. and the municipalities 20 per cent. of the costs of municipal cases of neglected children in Saskatchewan.)

British Columbia, Manitoba and Ontario apparently do not distinguish different classes of neglected children with municipal residence. The British Columbia provincial government pays 80 per cent. and the local unit 20 per cent.

(text continued on page 133)

TABLE XIV

DIRECT NET EXPENDITURES OF PROVINCIAL FUNDS, IN TOTAL AND PER CAPITA, FOR SELECTED PROVINCES, 1947-48.*

	British Columbia			Alberta			Saskatchewan			Manitoba			Ontario		
	Total Amount (\$'000)	Per Capita \$		Total Amount (\$'000)	Per Capita \$		Total Amount (\$'000)	Per Capita \$		Total Amount (\$'000)	Per Capita \$		Total Amount (\$'000)	Per Capita \$	
GENERAL GOVERNMENT															
Ordinary	6,417	6 15		2,892	3 52		2,041	2 42		1,493	2 01		5,852	1 40	
Construction (Capital)	186	18		361	68		459	51		232	31		676	16	
LEGAL AND JUDICIAL ADMINISTRATION															
Judice	1,580	1 50		571	69		862	95		660	89		5,347	1 28	
Ordinary	109	10		24	03		.....	.....		.....	.....		544	13	
Construction (Capital)															
Land Titles															
Ordinary	- 657	- 63		- 459	- 55		- 125	- 15		- 137	- 19		- 1,042	- 25	
Construction (Capital)	53	05		2	00					5	01				
PUBLIC DEBT															
Interest, Exchange	4,299	4 21		2,063	2 51		3,499	4 15		1,746	2 35		17,620	4 21	
Sinking Fund	2,408	2 31		1,916	2 27		1,916	2 27		548	07		548	13	
Redemption of Debt	2,842	2 72		1,687	2 05		1,621	1 89		3,764	5 07		.....	.....
Highways	21,607	20 75		11,928	14 31		8,575	10 18		6,356	8 32		47,159	11 26	
EDUCATION															
General	2,199	2 11		1,658	1 29		1,039	1 29		732	1 01		6,102	1 46	
Ordinary	25	02		.....	.....		.....	.....		3	.....		.....	.....
Construction (Capital)															
Library	1,095	1 05		1,187	1 44		620	81		576	78		4,805	1 15	
Operating Grant	1,333	1 28		701	85		777	92		124	17		4,356	1 04	
Construction (Capital)															
AGRICULTURE	636	61		348	41		823	98		479	64		5,237	1 23	
MUNICIPAL AFFAIRS	36	32		135	16		333	40		55	07		83	02	
HEALTH															
General	928	89		363	66		1,460	1 73		602	81		2,197	52	
Ordinary	37	04		32	04		43	05		2	.....		.....	.....
Construction															
Mental Services	3,061	2 87		1,375	1 91		3,081	3 65		1,479	1 99		7,269	1 73	
Ordinary	520	50		349	42		541	62		16	02		1,332	29	
Construction (Capital)															
Tuberculosis Services	1,563	1 46		367	71		295	35		8	01		4,299	1 03	
Ordinary	69	07		3	00		36	07		.....	.....		.....	.....
Construction (Capital)															
Public Health Grants	2,251	2 16		1,052	1 28		3,645	4 32		486	65		2,316	55	
Ordinary	318	30		.....	.....		254	31		.....	.....		1,037	25	
Construction							68	08		.....	.....		.....	.....
Grants															
Loans															
Medical and Hospital Services to Residents of Public Assistance	651	62		602	73		768	91		125	17		714	17	
Maternity Hospitals Services				685	83		.....	.....		.....	.....		227	05	

SOCIAL WELFARE

General	1,636	1 57	286	35	1,278	1 52	417	57	1,203	59
Operating	126	12	138	19	1,076	1 22	384	57	79	02
Construction	126	42	492	60	1,076	1 22	384	57	3,634	87
Members' Allowances	3,761	3 54	2,164	2 65	1,642	1 95	770	1 04	6,971	1 66
Old Age and Blind Pensions	827	79	99	12	434	50	226	30	85	02
Social Aid										
NATURAL RESOURCES										
Ordinary	- 5,657	- 5 45	- 3,072	- 3 74	- 566	- 67	31	04	- 4,601	- 1 15
Construction (Capital)			33	04			127	17	1,059	25
LABOUR	280	27	167	20	42	85	46	06	380	07
INSURANCE COMPANIES ACT	- 195	- 19	- 129	- 26	- 122	- 14	- 89	12	- 708	17
MISCELLANEOUS SERVICES	661	63	372	45	590	69	70	09	575	14
Net Expenditure Services	62 218	59 59	32 363	39 37	37 386	44 42	21 250	28 60	36 429	32 55
Less Net Revenue Services	- 6 592	- 6 23	- 1 654	- 4 45	- 813	- 86	- 227	- 31	- 6 553	- 1 17
Total Net Expenditures	\$ 55,715	\$ 53 26	\$ 26,714	\$ 34 92	\$ 36,583	\$ 45 46	\$ 21,025	\$ 28 29	\$ 120,867	\$ 30 95

* Based on Dominion Bureau of Statistics population estimates as follows: Ontario, 4,198,000; Manitoba, 743,000; Saskatchewan, 842,000; Alberta, 822,000; British Columbia, 1,064,000.

* Does not include net expenditures of \$400,082 (per capita, \$.48) for a mess, exchange and management of farm loans debt and of \$34,842 (per capita, \$.03) for interest on relief treasury bills.

* Made up of \$470,951 out of ordinary revenue and \$1,445,000 Liquor Board profits paid directly into the unemployment fund and not included in the \$1,000,000 liquor profits taken into ordinary revenue.

* Manitoba Public Accounts do not separate this figure as between sinking fund payments and redemption of debts.

* Does not include a net expenditure for Debt Reorganization Programme of \$1,549,589 (per capita, \$1 .88).

* Includes \$7,129,494 in form of a loan expenditure (Capital Account) and \$609,000 Liquor Board profits applied directly to debt redemption.

* Includes expenditure of \$9,359,811 (per capita, \$11 .99) on Capital Account.

* Includes \$1,405,418 (per capita, \$1 .67) for construction on Capital Account.

* Includes grants to Drainage Maintenance Districts of \$72,58.

* \$21,476,661 (per capita, \$5 .13) from Capital Account.

* Includes \$782,256 to Teachers' Pension Fund, described as assistance to school districts but not treated here as grants.

* Includes \$1,865,981 (per capita, \$.44) to Teachers' Superannuation Fund.

* Does not include (i) \$48,168 (per capita, \$.06) for re-establishment of reedy farms on farms out of Revenue Account, (ii) \$336,445 (per capita, \$.47) for advances for colonization purchases of seed, control of agricultural pests out of Capital Account.

* Does not include a net expenditure of \$137,465 (per capita, \$.16) on agricultural re-establishment farms and Local Improvement District advances to farmers.

* This figure represents only a small portion of the expenditures on tuberculosis control. And to statistics included under "Hospital Grants" and "Medical Services to Residents of Public Assistance". A breakdown of these items for the calendar year 1947 has been reported by the fiscal year are not available. In order to obtain an approximate figure for total provincial expenditures on tuberculosis control, hospital, grants to sanatoria for children year 1947 (\$114,267) and medical services to tuberculosis patients from unorganized territory for calendar year 1947 (\$23,245) may be added to the expenditure for the fiscal year 1947/48 given above. This total equals \$195,779 (per capita, \$.26). It is somewhat less than the fiscal year figures would be.

* Includes grants to sanatoria.

* Includes assistance to municipal bus.

* Includes \$111,182 from Capital Account.

Note. Figures in *Tables* denote excess revenues over expenditures.

Sources: Public Accounts of the respective provinces.

TABLE XV

DIRECT NET EXPENDITURES OF PROVINCIAL FUNDS IN VARIOUS PROVINCES, ACTUAL AND ADJUSTED TO SASKATCHEWAN AS A BASE FOR VARIATIONS IN PER CAPITA INCOMES, 1947-48*

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario	
	Actual Per Capita	Adjusted Per Capita	Actual Per Capita	Adjusted Per Capita	Actual Per Capita	Adjusted Per Capita	Actual Per Capita	Adjusted Per Capita	Actual Per Capita	Adjusted Per Capita
	(Provincial population 1,044,000) \$	(Provincial income, \$974) \$	(Provincial population 832,000) \$	(Provincial income, \$897) \$	(Provincial population 862,000 per capita income, \$100) \$	(Provincial population 743,000) \$	(Provincial population 4,139,000) \$	(Provincial income, \$976) \$		
GENERAL GOVERNMENT										
Ordinary	6.15	4.84	3.52	3.18	2.42	2.01	1.90	1.10	1.10	1.13
Construction (Capital)	1.18	1.14	.68	.61	.51	.31	.29	.16		
LEGAL AND JUDICIAL ADMINISTRATION										
Judice										
Ordinary	1.80	1.42	.69	.62	.95	.89	.84	1.28	1.00	
Construction (Capital)	1.0	.86	.03	.03				1.3	1.0	
Land Titles										
Ordinary	—	—	—	.59	—	.79	—	—	—	.29
Construction (Capital)	—	—	.03	.03		.01	.01			
PUBLIC DEBT										
Interest Exchange	4.21	3.31	2.51	2.27	4.15	2.35	2.22	4.21	3.20	
Sinking Fund	2.31	1.82			2.27	5.07	4.79	1.31	1.63	
Redemption of Debt	2.72	2.14	2.05	1.85	1.69					
ROADWAYS										
General	20.75	16.32	14.51	13.72	10.18	8.82	8.34	11.26	8.54	
EDUCATION										
General										
Ordinary	2.14	1.66	1.29	1.17	1.29	1.01	.96	1.46	1.15	
Construction (Capital)	.02	.02								
UNIVERSITY										
Operating Grant	1.05	.83	1.44	1.90	.81	.78	.74	1.15	.90	
Construction (Capital)	1.28	1.01	.85	.77	.92	.17	.16	1.04	.62	
AGRICULTURE										
General	.61	.40	.41	.37	.98	.64	.61	1.25	.98	
MUNICIPAL AFFAIRS										
General	.02	.02	.16	.14	.40	.07	.07	.02	.02	

TABLE XVI

COMPARISON OF MUNICIPAL AND PROVINCIAL EXPENDITURES ON HEALTH AND WELFARE BY PROVINCES FOR THE FISCAL YEAR 1947-48.

	British Columbia		Alberta		Saskatchewan		Manitoba		Ontario	
	Total Amount (\$'000)	Per Capita	Total Amount (\$'000)	Per Capita	Total Amount (\$'000)	Per Capita	Total Amount (\$'000)	Per Capita	Total Amount (\$'000)	Per Capita
MUNICIPAL										
Municipal Expenditure on Conservation of Health and Public Welfare	\$ 4,286 *	\$ 4.98	\$ 3,013 *	\$ 3.75	\$ 3,110 *	\$ 3.82	\$ 2,498 *	\$ 3.58	\$ 17,732 *	\$ 4.23
Expenditure of Municipal Funds on all Services	32,900 *	39.63	34,563	42.05	35,257	41.87	27,965 *	40.07	151,305	36.13
Percentage Municipal Expenditure on Conservation of Health and Public Welfare is of Expenditure of Municipal Funds on all Services		22.9 *		7.7		8.1		8.9		11.7
PROVINCIAL										
Provincial Expenditure on Health and Welfare	16,494	15.79	8,235	10.02	14,334	17.02	4,506	6.06	31,182	7.41
Provincial Net Expenditure on all Services	73,915	70.79	38,967	47.39	43,954	57.50	25,776	34.69	186,425	44.59
Percentage Provincial Expenditure on Health and Welfare is of Provincial Net Expenditure on all Services		22.3		21.1		32.6		17.5		16.5
DISTRIBUTION BETWEEN PROVINCES AND MUNICIPALITIES										
Percentage Municipal Expenditure on Conservation of Health and Public Welfare is of Combined Provincial and Municipal Expenditure on Health and Welfare	20.6		26.3		17.8		35.6		36.3	
Percentage Provincial Expenditure on Health and Welfare is of Combined Provincial and Municipal Expenditure on Health and Welfare	29.4		21.2		82.2		64.4		63.7	
Provincial Net Expenditure on all Services	19.4		15.3		22.0		13.0		11.4	

- 1 Does not include provincial grants for Health and Public Welfare of \$1,807,169. Improvement district expenditures on public welfare are not included as statistics were not available.
- 2 Does not include provincial grant of \$61,856 for social aid for fiscal year 1947-48.
- 3 Does not include provincial grant of \$526,228 for social aid and extra health grant of \$,411,069 paid directly to municipalities for fiscal year 1947-48.
- 4 Does not include adjustment for grants since accounts did not show any grants.
- 5 Does not include provincial grant of \$1,803,214 for social aid and \$202,442 for health grants paid directly to counties for fiscal year 1947-48.
- 6 To eliminate duplication government grants have been subtracted from total expenditures of municipalities on all services.
- 7 Excludes all village and Improvement District expenditures so population figure used here is 840,247.
- 8 Does not include adjustment for grants since statistics do not show any grants.
- 9 Based on total municipal expenditure of \$31,906,385 and health and welfare figure of \$4,230,353. These figures exclude expenditures of villages and Improvement Districts.
- 10 Does not include construction expenditures of \$1,069,848 for British Columbia, \$511,098 for Alberta, \$762,173 for Saskatchewan, \$19,222 for Manitoba, and \$2,318,989 for Ontario.

Source: Public Accounts and Annual Statistical Reports of the respective provinces.

of the costs of care. In Manitoba the entire cost falls on the municipality initially with some offset attaching to the \$300,000 annually distributed by the province to the municipalities as mentioned under Social Aid above. In Ontario the province contributes 25 per cent. and the municipalities 75 per cent. of the costs for neglected children with municipal residence.

(v) *Care of the Aged*

In all provinces under review the provincial government bears all the costs of care for the aged without municipal residence. In Alberta the province pays 50 per cent. and the municipalities 50 per cent. of the cost of municipal cases. In British Columbia the province pays 80 per cent. and the municipalities 20 per cent. The Ontario provincial government pays 50 per cent. of the cost of construction and operation of municipal homes for the aged. In Manitoba the municipalities bear 100 per cent. of costs up to \$1.50 per day for walking patients and \$2 for bed-ridden patients. In Saskatchewan the province operates two homes and in 1949-50 received approximately 18 per cent. of the costs of operating these homes from the municipalities. For aged in private homes the province and the municipalities share costs equally on the basis of approved charges.

(b) *Health Services*

(i) *Tuberculosis Control*

In all five provinces practically free care is provided for tuberculosis patients although in Ontario and British Columbia the principle of patient contribution where possible is maintained. In Alberta, the provincial government pays the full costs of tuberculosis care. The same is true in Ontario with slight modification. In British Columbia the municipalities pay 20 per cent. of the costs and the provincial government the remainder except for small contributions from patients. In Manitoba, cities pay \$2.60 per patient per day and the remaining municipalities contribute \$235,000 annually. In 1947 the respective shares of tuberculosis care costs in Manitoba were: the province, 80 per cent.; cities, 45 per cent.; other municipalities, 25 per cent. In Saskatchewan tuberculosis patients receive free care toward which the province contributes a sum which, since April 1, 1950, is \$1.50 per patient per day (before that date it was \$1 per patient per day). It is estimated that the present contribution will cover 31 per cent. of total expenditures on tuberculosis control, other than preventive service supported by voluntary donations and the federal health grant.

(ii) *Mental Health Services*

Saskatchewan is the only one of the five provinces in which care is provided for mental patients without charge (except for certain minor circumstances under which recovery may be made from the estate). The cost of this service is borne entirely by the province. In the other four provinces the provincial government pays the total costs of the care of mental patients with minor exceptions but may recover from patients or their estates. In Manitoba the municipalities do not contribute. In British Columbia the municipalities contribute only to the cost of transportation of mental patients. In Ontario they contribute 50 cents per day for each indigent patient. In Alberta the municipalities are responsible for committal and transportation of patients and for \$15 per month toward their maintenance.

(iii) *Cancer Services*

The two extremes under this heading are found in Ontario and Saskatchewan. In Ontario treatment is not free and apparently constitutes an ordinary medical service to be paid for by the patient. In Saskatchewan the province provides free treatment and hospitalization. In Alberta the province provides free treatment and free hospitalization up to 14 days. Manitoba has introduced free radium and x-ray treatment based on provincial and municipal contributions to the Cancer Institute. British Columbia does not provide free treatment but the province contributes to the Cancer League. Annual Dominion contributions to cancer services are available on a matching basis to a certain maximum for each province, provided the provincial facilities meet minimum standards established by the Dominion government.

(iv) *Hospitalization Services*

Saskatchewan and British Columbia alone among the five provinces have hospitalization insurance plans. The Manitoba provincial government makes annual grants to hospitals equal to 75 cents per public ward patient per day, and the Ontario provincial government makes grants varying from 75 cents to \$1.25 per public ward patient per day. The Alberta provincial government has introduced a scheme under which in addition to former grants of 70 cents per patient per day, they now make special grants varying from \$1.65 to \$2.25 per patient day to local authorities which make public ward hospitalization available to rate-payers at a rate not in excess of \$1 per day. In British Columbia, under the Hospital Insurance Plan, municipalities contribute 75 cents per patient per day for the hospitaliza-

tion of their residents. The province makes up the balance of approved hospital operating costs by means of (1) a hospitalization levy of \$21 per single person with a maximum of \$33 per family, and (2) general revenues. In Saskatchewan the provincial government pays for reasonable costs of hospital operation including depreciation but excluding interest, the funds being derived from (1) a hospital tax of \$10 per adult and \$5 per child with a maximum of \$30 per family, and (2) general revenues. The provinces have varying schemes of grants for hospital construction with federal aid.

(v) *Medical Care for Recipients of Public Assistance*

All five provincial governments assume full responsibility for the medical care of recipients of public assistance without municipal residence. The provincial governments of Saskatchewan and Alberta pay all costs of medical care for old age and blind pensioners and for recipients of mothers' allowances, and the Saskatchewan government does the same for neglected children. The Manitoba government, on the other hand, makes no medical provision for the above groups or, indeed, for any municipal indigents, except for the annual distribution of \$300,000 mentioned under Social Aid above. In British Columbia the provincial government pays 80 per cent. and the municipalities 20 per cent. of the medical costs for pensioners, recipients of mothers' allowances and municipal social aid cases. The Alberta provincial government pays 60 per cent. and the Ontario government 50 per cent. of medical costs for municipal indigents. In Saskatchewan the municipalities are responsible for the total costs of medical care for indigents with municipal residence.

(vi) *Hospitalization for Recipients of Public Assistance*

Again the provincial governments all assume responsibility for the hospitalization of persons without municipal residence. In British Columbia the province pays hospital insurance premiums for all recipients of public assistance including municipal social aid cases. In Saskatchewan the provincial government pays the costs of hospital care for old age and blind pensioners, neglected children and recipients of mothers' allowances but leaves the municipalities responsible for municipal indigents.

The municipalities in Saskatchewan may, however, pay the hospital tax for indigents and thus insure the indigents and, in effect, themselves against further costs for hospitalization. Since hospital taxes on the average fall

far short of paying full costs of hospitalization, the balance of such costs being made up out of provincial revenues, the municipalities may, by paying hospital taxes for indigents, shift a substantial part of their hospital burden for such persons on to the provincial government.

The Alberta provincial government provides hospitalization for old age and blind pensioners and for recipients of mothers' allowances, and contributes 60 per cent. of hospitalization costs for municipal indigents. In Manitoba and Ontario the municipalities are responsible for the hospitalization of all resident indigents, in Manitoba at the rate of \$3 per day and in Ontario at rates varying from \$2.50 to \$4 per day depending on the classification of the hospital involved.

(vii) *Maternity Services*

The provincial governments of Manitoba, Saskatchewan and British Columbia provide no special services except that in the latter two provinces public ward service is provided without charge to holders of hospitalization cards. The Province of Alberta provides 12 days free hospitalization for maternity cases and the Province of Ontario provides one free medical examination for expectant mothers.

(viii) *Health Units*

In Saskatchewan and Manitoba one third of the costs of public health services is charged to the municipalities and in Alberta 50 per cent. In Ontario the province pays 50 per cent. of the costs of such units in rural areas and 25 per cent. in urban areas with a population of more than 25,000. The Ontario provincial government also pays one third of the costs of public health nursing. Alberta pays up to 60 per cent. of the costs of public health nursing on agreement with the municipalities. The Saskatchewan government makes grants to municipal medical care schemes of 25 cents per capita plus equalization grants ranging from zero to \$2 per capita. In British Columbia health units receive grants in metropolitan areas. In other areas the province bears the total costs except for reimbursement on the basis of 30 cents per capita of the local unit.

(c) *Highways and Local Roads*

In addition to the costs of construction and maintenance of main provincial or "arterial" highway systems the various provinces contribute to the costs of other highways and roads in varying degree. In British Columbia the provincial government pays from 50 to 75 per cent. of the costs of secondary highways in municipalities. The Alberta government pays

60 per cent. of the construction costs and 100 per cent. of the maintenance costs of secondary highways, Manitoba pays two thirds of construction and maintenance costs and Saskatchewan pays total maintenance costs of approximately 1,200 miles of secondary highways. For main highway connecting links, the provincial government of British Columbia makes a grant of \$1,500 per mile to urban areas with a population of over 2,000, the Alberta government pays cities \$150 per mile per year, while the Ontario government pays full costs for villages and towns with a population of less than 2,500 and 50 per cent. of the costs for centres with a population of over 2,500. In Saskatchewan the province constructs and maintains the connecting links through villages and shares the costs with cities and towns in some cases.

For the provision and maintenance of local municipal roads the Saskatchewan government pays equalization grants as described in Part VI of this Report. The Manitoba government contributes 50 per cent. of the cost of approved expenditures in rural municipalities and small urban units, the grants to be matched by the local unit. The Ontario government makes grants of 50 per cent. of approved expenditures on roads and 80 per cent. on bridges in counties and townships, with similar grants of 80 per cent. and 100 per cent. in the poorer townships. To cities and "separated" towns the Ontario government grants one third and, in towns and villages, one half, of approved road expenditures.

The provincial governments of Alberta and British Columbia make provision for the sharing of certain revenues with the municipalities for road purposes. In Alberta the municipal districts receive 25 per cent. of gasoline tax and motor vehicle licence revenues on condition that they match the grant on the basis of 60 per cent. from the province and 40 per cent. from the local unit. The maximum grant available to a local unit varies directly in proportion to assessment, population and difficulties of terrain and inversely with the highway mileage in the local area. In British Columbia the municipalities receive one third of motor vehicle licence revenues on a population basis.

(d) Education

The details of the financial relationships between the provinces and their respective local authorities in the field of education are extremely complex and defy concise comparison. Some analysis has been presented in Part IV of this Report. In attempting to assess the extent to which the provincial government in

Saskatchewan assumes financial responsibility for education services as compared with other provincial governments it is necessary to include the substantial increases in grants which were provided in the 1960 session of the Saskatchewan legislature.

(e) General Assistance to Municipalities

None of the prairie provinces gives any general assistance to municipalities. Ontario pays grants to local units of from 10 to 25 per cent. of the costs of police and fire protection, the percentage varying with population. The British Columbia provincial government pays local units an unconditional grant equal to one third of the net receipts of the three per cent. Municipal and Social Aid Tax, the distribution varying with population weighted (except for villages) by school population.

7 READJUSTMENTS IN PROVINCIAL-MUNICIPAL FINANCIAL RESPONSIBILITY

Your Committee does not intend to deal here at any length with the question of readjustments in provincial-municipal financial relations since the matter is considered in detail insofar as it concerns the various fields of services dealt with in the respective sections of this Report. Specific recommendations are set forth in Part X. Reference may, however, be made to a number of relevant factors at this point.

Careful analysis of the material available to your Committee indicates that Saskatchewan governments, taken collectively, including both provincial and local units, are contributing to the maintenance of community and social welfare to a degree which compares favourably with any other province in the Dominion. When this level of contribution is related to variations in capacity to pay as between the various provinces, variations which can be regarded as roughly proportional to per capita income figures, the comparison is even more favourable to Saskatchewan governments. The significant fact in regard to capacity to pay is that per capita incomes in Saskatchewan are below those of provinces with which comparisons are commonly made.

A conclusion of fundamental importance which arises from these facts is that the collective capacity to pay of Saskatchewan citizens may be insufficient to support a level of public services which might well be desirable apart from such limitations. It is clear from the evidence that any appreciable further expansion of governmental financial responsibility in the Province of Saskatchewan must

await the assumption by the Dominion government of increased constitutional authority and responsibility for matters which at present lie so nearly exclusively within the provincial sphere.

The provincial government of Saskatchewan along with those of other provinces has improved its financial position as a result of the Dominion-Provincial Agreements of 1947. It is sometimes argued that a portion of this margin of improvement should be specifically allocated toward increases in the provincial contributions toward local services such as education and road improvement. Manitoba is sometimes held up as an example or even model to be followed since the provincial government in Manitoba specifically earmarked an annual sum of \$300,000 from the tax agreement income to be paid in the form of grants to local units for the support of welfare services.

Your Committee is not impressed by illustrations or arguments of this sort. The earmarking of funds is a formality which may impose a ceiling as well as a floor on governmental responsibility. As compared with other provinces, the municipalities of Manitoba would require much more than the \$300,000 annual contribution to place them in a preferred position in terms of provincial support to local welfare services. While the Saskatchewan government has earmarked no specific part of tax agreement revenues for the support of local services, these funds have nevertheless supported a large measure of the expansion of direct and indirect expenditures of the Saskatchewan government on welfare services in recent years. If specific allocations were to be considered, the increases in provincial educational grants introduced in 1950 might be regarded as absorbing a substantial proportion of Saskatchewan tax agreement benefits.

PART IX

Equalization

1 GENERAL

Your Committee felt that some consideration should be given to the phenomenon described as equalization. The term is fairly modern and the concept itself is a part of present day social philosophy.

The current use of this term refers to the practice of spreading the costs of certain services such as education, road construction, health, and welfare in such a way that costs are not assessed on a per capita basis. Individual ability or inability to pay for certain minimum standards of service which are considered socially desirable is taken into account. In many cases the principle of equalization is not applied as among the human beings themselves but among the municipalities, school districts or other units in which these human beings live.

In practice the term is usually restricted to the equalizing process as applied to local units. Essentially, however, the social thought behind the device does not differ materially from that which inspires the payment of old age pensions or family allowances. The chief difference is that with many political units involved the process of equalization becomes much more difficult.

2. PARTICULAR APPLICATIONS OF THE EQUALIZATION PRINCIPLE

Reference has been made in earlier portions of this Report to the equalization procedures in the fields of education and public health. In highways the process is somewhat more complicated. There is a history of road grants to municipalities going back to early territorial days but no overall pattern was followed until three or four years ago. In the past grants were sometimes quite generous but the amount seems to have been determined by bargaining. The present system of equalization is based on a formula using a point system for certain factors such as tax rate, miles of provincial highway, number of farm units, quality of the soil, topography, degree of stoniness, and bush cover. Such items as soil quality and tax rate help to determine fiscal need. The factor of tax rate ceases to operate at eight mills and it is said to have been noticeable that in some instances the general rate went above eight mills after the first year.

Your Committee is not in a position to criticize these attempts at equalization. They represent experimental attempts to deal with pressing problems. One matter for comment is the extent to which land assessment is used as an index. While no better index is here suggested it may well be doubted whether this is an entirely satisfactory method for measuring the fiscal need of a community.

3. APPRAISAL OF THE EQUALIZATION PROCESS

It is the considered opinion of your Committee that the equalization process cannot be accepted as an absolute principle, and that if applied to municipalities in a complete form it would result in the complete destruction of local self government.

Complete equalization would inevitably perpetuate the use of uneconomic resources and makes any sound policy or program of land utilization impossible. Areas of sub-marginal land would tend to remain under cultivation with more productive areas compelled to carry the burden of government services for them. In fact, complete equalization would also encourage expansion of settlement into undeveloped areas incapable, without substantial outside support, of maintaining any decent levels of community services or individual incomes.¹

Agreement in principle has already been expressed with the method of equalization used in the field of education, which merely means a policy of equalizing as far as possible, the opportunities of getting an education. The same might be said of most public health services. Your Committee, however, would not want to go much further. Not only are we opposed to the concept as an absolute theory for the reason stated, but we see grave objections to its application to any great degree in many particular services and generally in the developmental field.

In highways, for instance, it seems to your Committee that the role of the province in

¹ For a fuller discussion of the economic aspects of equalization in the Prairie Provinces see Andrew Stewart and E. J. Hanson, "Some Aspects of Rural Municipal Finance" (*Canadian Journal of Economics and Political Science*, Vol. XIV, 1947, and particularly pp. 486-490)

building and maintaining roads should be directed to those roads which promise the greatest good to the greatest number and that the principle of extracting a charge for service from the users of the road should be followed as far as possible. Assistance from provincial funds toward construction in areas where traffic is light should not be given unless it is clearly demonstrated to be in the interest of the economy of the province.

4. THE FUTURE OF EQUALIZATION GRANTS

Your Committee has no specific recommendation to make. The Committee wishes, however, to express the opinion that any extension of equalization grants should be made with great caution. In the fields of education and public health there is considerable justification for these grants and the departments seem to have moved with due circumspection. At the best, however, these grants tend to undermine local responsibility and therefore the device should be used sparingly. This is said with a lively appreciation of the desirability of maintaining a minimum of living standards in all localities.

In the opinion of your Committee the research body which we propose to recommend should be established in the Department of Municipal Affairs would be of great assistance to the government in the matter of equalization grants. The Committee does not, however, think that the research body should determine the desirable level of minimum standards

in any service, such as education or health. That is a matter of policy for which the government is properly responsible. When a policy has been established, nevertheless, it would be a function of the research body to determine the fiscal needs of any municipal unit seeking assistance. Study and research are necessary prerequisites not only to the making of outright grants to particular units but also to equalization grants of a more general nature. It is certainly desirable that a general formula should accomplish an equalization as far as possible. This can only be accomplished if there is an accurate knowledge of the nature and extent of fiscal needs before the formula is derived.

Any actual appraisal of the relative fiscal needs of the various municipal units was entirely beyond the task assigned to your Committee. There can be little doubt, however, that significant disparities do exist. Valuable investigations could be made in this field and might well accompany studies preparatory to a reorganization of municipal units.

Before concluding this Part the Committee wishes to refer again to another instance of equalization which is of extreme importance to both the province and the municipalities. An equitable Dominion-provincial agreement is called for not only on the basis of assuring to each province a minimum of social services without an undue burden of taxation, but also, in the prairie region, for the purpose of correcting economic stresses which have resulted from the impact of certain national policies.

PART X

Recommendations

1. GENERAL CONSIDERATIONS

Your Committee has found extreme difficulty in arriving at recommendations in the nature of rules applicable to all municipalities. The situation simply does not lend itself to that kind of treatment. There are too many differences between the urban and the rural municipalities in their needs, in the occupations of their people, and in the assets available for taxation purposes. It is also evident that there is little homogeneity among the urbans; few general rules suitable to a village will be adaptable to a city. There is also a tremendous variation among the rurals both as to wealth and needs.

It is further evident that no measures should be taken which might tend to produce a static condition. It is the opinion of your Committee that local democratic government is an ideal to be preserved in itself. It is also a fact that there are hundreds of local governing units. It may be concluded, therefore, that there is a wide area for experiment but that an effort should be made to prevent costly experiments. What has just been said relates not only to the correction of present imperfections but also to changes that will be necessary in the future as institutions are accommodated to social ideals.

For the reasons given above your Committee favours guidance by the department rather than legislation as a primary means to the achievement of harmonious relationships among the various governing agencies, efficiency in the governing process and a preservation and enlargement of the ideal of local self government. It will readily be conceded that this is no easy matter at a time when people demand more and more social services but shrink from 'paying the piper' in the form of heavier taxes. One object will be the encouragement of an attitude of responsibility in the facing of realities by the local bodies. If these local bodies deliberately make themselves dependent on the senior government it would not be surprising if local self government were gradually to disappear.

2. MUNICIPAL ADVISORY COMMISSION

Your Committee is of the opinion that provision should be made for the establishment of a Municipal Advisory Commission in the Department of Municipal Affairs. Your Committee attaches little significance to the

name, but the functions of the body should include general research in municipal matters, studies in taxation, advice to particular municipalities and recommendations to the government as to the payment of grants, if and when such grants should be necessary.

Your Committee wishes to emphasize that such a Commission should be headed by men of ability and knowledge. They should be competent to direct the work of the research secretariat and to make decisions. It is suggested that the Commission itself might well be a body of three. As to whether all three should be permanent civil servants your Committee is not prepared to make a recommendation.

It has been suggested that this Commission should have jurisdiction over grants. Your Committee does not recommend that such a Commission should have power to make grants for the relief of municipalities but merely to recommend them to the Executive Council. It would also seem expedient that the Executive Council should make grants only on the advice of this Commission unless, of course, there should be a particular direction by the legislature. It is understood that in all cases the payment would be from funds appropriated for that purpose by the legislature.

The device described above is, in the opinion of your Committee, of very considerable importance. The matter of grants and special relief would be effectively removed from the suggestion of political pressure. In addition the Commission would be in a position to check on the efficiency of administration in any particular municipality to determine whether all possible measures of self help had been exhausted and to advise thereon, to calculate local needs and, finally, to advise a grant if clearly warranted. In the opinion of your Committee the adoption of this procedure would not encourage the municipalities to ask for financial help from the senior government. It would encourage self help and a feeling of local responsibility. When a grant was made, however, it would go where it was needed.

3. DIVISION OF RESPONSIBILITY

Attention has been given to the division of responsibility between the province and the municipalities. Should the performance of additional functions be assigned to the municipalities or, on the other hand, should the prov-

ince do some things directly which are now done locally?

It is realized that there are many vexing problems, in the field of public health, for instance, but it is believed that these will best be solved by experiment and negotiation. Your Committee, after a careful examination, is unable to suggest that better government would result from a different allocation of functions as between province and municipalities. Specific references has been made to the matter of particular items of jurisdiction in the body of the Report. Aside from these references your Committee has no recommendation to offer.

In this analysis your Committee assumes that there will be some reorganization of local units. This reorganization should go far enough to insure that each unit has sufficient strength to discharge ordinary municipal functions with efficiency.

4. SPECIFIC RECOMMENDATIONS

Your Committee makes the following specific recommendations:

(a) Policy and Organization

1. That a Municipal Advisory Commission with functions as described in section 2 of this Part be established and attached to the Department of Municipal Affairs;

2. That such a Municipal Advisory Commission should be concerned at all times with the preservation and strengthening of municipal institutions as efficient governing units;

3. That such a Municipal Advisory Commission should examine, in consultation and co-operation with the municipalities, the possible re-organization of local units in order to ensure the efficient discharge of municipal functions;

4. That extension of the principle of equalization grants in any field should be made only after careful examination of all the relevant factors in each instance;

(b) Taxation

5. That The Public Revenues Act, R.S.S. 1940, c. 49, be repealed and, that as a matter of policy, the real property tax field be considered henceforth as belonging exclusively to the municipalities;

6. That legislation be enacted designed to make Saskatchewan Crown companies and commercial government agencies liable to municipal taxation to the same extent to which owners of property in municipalities generally are liable;

7. That the provincial government give consideration to making an appropriate contribution to municipal revenues on non-commercial buildings in lieu of taxes;

8. That legislation be enacted making all urban improvements assessable at full value for taxation purposes;

9. That the Municipal Advisory Commission should explore the possibility of additional sources of revenue for municipalities,

(c) Education

10. That the Municipal Advisory Commission should examine the present division of financial and administrative responsibility among local authorities for education;

(d) Public Health

11. That the province increase its grants to the Saskatchewan Anti-Tuberculosis League to \$2.00 per patient per day;

(e) General Welfare

12. That the provincial government should consider assumption of full financial responsibility for neglected and dependent children when the fiscal position of the province will permit;

(f) Social Aid

13. That the provincial government should consider sharing responsibility for social aid in local improvement districts on the same basis as in the municipalities;

14. That no change should be made in the present administration or in the existing division of financial responsibility for social aid in municipalities;

(g) Highways and Roads

15. That the province continue responsibility for the present highway system and highway construction program;

16. That the province continue the policy of equalization grants to municipalities on the basis of special needs;

17. That the province assume full responsibility for the construction and maintenance of all sections of the provincial highway system within the corporate boundaries of villages and towns with a population under 2,000 and 50 per cent. of such construction and maintenance costs in all cities and towns with a population of 2,000 or over;

18. That the province assume full responsibility for the construction of all bridges over 100 feet in length and the maintenance of all bridges over 200 feet in length, 50 per cent. of

the construction of all bridges over 16 feet and up to 100 feet in length and 50 per cent. of the cost of major repairs (over \$500) of all bridges over 16 feet and up to 200 feet in length,

19. That in view of the responsibilities imposed upon the province through the implementation of recommendations 15 to 18 above and the proposed reduction in provincial revenues which would result from the abolition of the public revenues tax, no sharing of either gasoline or motor licence revenues should be contemplated by the province;

20. That the Highway Traffic Board give careful consideration to the possibility of a substantial upward revision of licence fees for heavy commercial vehicles,

21. That the gasoline tax be increased from 10 to 12 cents per gallon effective April 1, 1951, to assist in implementing the highway program;

22. That the provincial government request further consideration by the Saskatchewan Association of Rural Municipalities of the proposal for a provincial tax upon farm fuels, the proceeds to be directed toward the improvement of local roads;

23. That the Municipal Advisory Commission should examine all aspects of the problem of main market roads in rural municipalities;

(h) General Policy

24. That, in view of the responsibilities already assumed by the province and those imposed through implementation of recommendations 5, 6, 7, 11, 12 and 13 above, in particular, no specific allocation of Dominion-provincial tax-agreement income to the municipalities should be made;

25. That, in view of the present high level of commitments and the precarious nature of present revenues, no further commitments of any kind should be undertaken by the province without careful appraisal of the financial position of the province.

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